

Beyond Divergence: Socioeconomic Status and  
Perceived Income Inequality in China

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By

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## ABSTRACT

Past research has been divergent about perceived income inequality among diversely positioned members of the Chinese population. Several scholars have suggested that persistent earnings disparity results in societal unrest while others claim that most Chinese citizens view existing disparities as relatively reasonable. In this dissertation I argue that individuals with different socioeconomic status possess different perceptions of income inequality which reflect differences in legitimating income inequality and wealth rearrangement preferences.

Implementing the survey data from the China General Social Survey (CGSS), I developed a new measurement of perceived earnings disparity and a Structural Equation Model (SEM) to analyze perceived earnings disparity among the Chinese population. This analysis is integrated with psychological and cultural approaches in order to understand why it is that Chinese people seem relatively unresponsive to persistent income inequality.

Results show that: (1) People with high socioeconomic status believe that income inequality is the normal result of competition in the market economy and those with low socioeconomic status tolerate income inequality for government's good economic performance; (2) socioeconomic status differentials in perceived income inequality diverge as higher earnings disparity becomes evident in contemporary China; and (3) the people within the lowest economic strata are sensitive to the intensified income inequality, and have stronger demands for redistributive policies while those in the highest strata express attitudes that suggest indifference to this issue.

The divergence in perceptions of income inequality and redistributive preferences between people from the elite and the bottom can be seen as a sign of social as well as economic polarization in Chinese society. The research partly supports the existing statement that the members in privileged group turn into oligarch while those in disadvantaged group are amenable to populist expressions. The policy implication is that the government should

implement an institutional approach to solve the persistent income inequality.

Keywords: perceived income inequality; income inequality; socioeconomic status; China

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## CHAPTER ONE: INTRODUCTION

### 1.1 Perceived Income Inequality among the Chinese Population

According to the *Global Risk Report* of 2012, the highest peril of worldwide development will involve the serious income disparity emerging in the next 10 years (Ben, 2012). This point is supported by a series of events including the “Occupy movement” and the “Arab Spring”, which have the implication that the formidable social movements are precipitated by people’s anger about persistent and growing income disparity (Alexander, 2012). The issue of income disparity has significance for transitional nations because raises questions about the outcomes of social and economic reforms (Kluegel & Mason, 2004).

China, as one of the transitional countries, has experienced three major regime changes in the past one hundred years. China was a monarchy before 1911, when the Qing emperor was collapsed by revolution, resulting in the Republic of China (*zhong hua min guo*) being founded in 1912; introducing socialism, the China Communist Party created the People’s Republic of China (*zhong hua ren min gong he guo*) in 1949 (“Travel in China,” 2012). Since 1978, China has undergone over thirty years of economic restructuring which signifies a vital change from a state dictated by socialist structure towards a “market-oriented economy” (*shi chang jing ji*) (Martin, 2009). These transformations have resulted in amazing economic growth (Hauser & Xie, 2005; Smyth, Mishra, & Qian, 2010). It has been demonstrated that Chinese society has experienced essential changes, including both social stratification and development in its economy (Bian, 2002).

The secrets of this economic miracle, however, are the benefits derived from low wages, limited social welfare, and a lack of human rights (Qin, 2008). Accordingly, this development model causes a series of social problems. For instance, the extent of the earnings gap among city dwellers and rural people is still entrenched and creates a great threat for the stability of the society (Zhang, Chen, & Zhang, 2012). The environment is worsened with the high consumption of natural resources (Sun, 2010). Corruption turns out to be increasingly severe, which enforces the extent of the income gap and destroys the potential positive impacts of economic growth (Zhu, 2011).

On the road to high economic growth, income inequality is a serious issue which is the focus of much concern in the public sphere and in academic discussions (Martin, 2009). Unlike other economic growth countries, the rapid increase of China's income disparity is a special case (Chang, 2002). Although the government recognizes the importance of decreasing income inequality, the special well-being of a system covering the needs of the advantaged groups first enlarges the extent of income inequality (Qin, 2008). However, unlike some other countries, such as some Arab nations with religious power, there are currently a great number of social movements' activities that appear to raise objections to inequitable income distribution. Part of this is explained by official social control of street protest movements in China.

Are Chinese assessments about income inequality not similar to those who are in other nations? Three detailed questions can be developed to address these issues: What is the association between people's perceptions of earnings disparity and their socioeconomic status in Chinese society? What are the societal responses to increasing income disparity, and what factors account for these responses? What are implications do these perceptions responses have for social stability or conflict?

In investigating these essential items, one approach in the academic field suggests that the Chinese have unique characteristics, such as an extreme spirit of tolerance about social inequality, while others assert that there is no exception for the Chinese in their views regarding social inequality compared with other countries (Martin, 2010, p.195; Xie & Brown, 2011). The aim of this research is to seek new perspectives on these questions associated with the persistence of - and social responses to - income disparity in China by steadily probing the structural, psychological and cultural processes involved. This research attempts to provide a contribution that adopts a comprehensive perspective which cannot be limited only to the structural factor approach.

## 1.2 The Significance of Studying Perceived Income Inequality in China

Income inequality, or income disparity, is one of the vital issues in this time of globalization because it refers to a significant factor in social stability (Martin, 2009). There are two concerns for social subjects that motivate my study of perceived income disparity in current

China.

The first concerns the association between perceived income disparity and actual income inequality in the material sense, which stimulates my interest in studying perceived income inequality among the Chinese people. Inequality is a flexible conception not only because of personal inclinations and choices that generate and preserve it but also because of social categories and institutions that reinforce these practices (Tilly, 2003; Wang, 2010). Wang shows that “the boundaries that delineate membership in a social category are physical as well as psychological” (2010, p.219). Inequality caused by uneven material distribution systems may also enhance a person’s perception of earnings disparities (Zhou et al., 2010).

Second, China’s economic growth is influenced by the persistence of earnings disparities in the course of social change. Worrying about China’s stability motivates this research. The anxiety of perceived income disparity is essential because it refers to the political and social solidarity that produces a certain extent of agreement on the subject of social justice (Kluegel & Mason, 2004; Hadler, 2005). Specifically, it has great implications in transition countries where major reforms in the adoption of market systems have been implemented (Hadler, 2005; Loveless & Stephen, 2011).

### 1.3 The Perspective of Socioeconomic Status (SES)

Most of the literature on this topic has focused mainly on how the institutional transformation from state socialism to marketplace capitalism changes the mechanisms shaping perceptions of social inequality, though research on perceived earnings disparity among the Chinese has emerged at the contemporary stage (Martin, 2009; Wang, 2010; Arjan & Sukhadeo, 2012). In addition, some studies note the special characteristics of current administrative systems like household registration (*hukou*) in influencing views on social inequality (Han, 2009; Wang, 2010). Regardless of considerations about how special features of the Chinese societal structure shape perceptions, perceived unequal socioeconomic status (SES) as an essential notion has been inadequate attention, with the exception of Wang’s emphasis on the significance of social categories (2003). As the extension of the market system launched in 1978 continues (Zang, 2002), socioeconomic status (SES) is a suitable conceptual factor to investigate in order to trace the effects of the grand transformation of contemporary Chinese

society with its newly immense social stratification.

Socioeconomic status (SES) is an important indicator for demonstrating a person's social group or social class (Ma & Zhang, 2011). In some situations, profession, earnings and schooling are integrated into an index to gauge socioeconomic status (SES) (Duncan, 1961). The investigation of socioeconomic status (SES) is an effective approach to examine inequalities in receiving resources, authority, and opportunity (Tilly, 2003; F. Wang & T. Wang, 2003). Therefore, Tilly (2003) points out that diverse types of inequality are not only the result of an individual's outcome, but are also the consequence of their social class.

It is necessary to understand that inequalities are not just experienced by individuals, but are also produced among the collective, and that effective collation can only be achieved after knowing the social categories' functions in reproducing and preserving inequality (F. Wang & T. Wang, 2003). Therefore, this research highlights the meaning of SES with Tilly's direction that the unit of social analysis is not only the person but also the social group and collective societal arrangements (2003).

#### 1.4 Outline of this Research

Chapter 2 provides a portrait of the history of China's resource allocation structure and sources of income inequality during the Socialist era. The post-1978 transformation from socialism to a market society is also discussed.

Chapter 3 reviews the literature on perceived income disparity, inequality and redistribution preferences, and develops a theoretical framework. The major conceptual limitation of the literature on perceived income inequality is the predominance of direct approaches, investigating conditions defined solely by structural factors. Other dynamics such as psychological and cultural influences, which often coincide and interact with perceived income inequality, are absent from the conceptualizations provided. In order to resolve this limitation, potential variables including psychological and cultural factors will be explored; a systematic framework will be developed that includes these two important variables. Social cognition and internalization of diverse real world conditions causes people to perceive income disparity differently (Hadler, 2005). This is principally true for individuals with

differing socioeconomic status (SES) who are embedded in China's transformed socio-structural contexts and influenced by received culture and ideologies.

Chapter 4 demonstrates the detailed improvement of measurement and statistical methods applied in this analysis. Direct measurement by asking about earnings disparity is too vague and cannot gauge people's perceived earnings disparity precisely. A new measurement based on the ratio between the Gini coefficient of the expected earnings gap among occupations and earnings gap in reality will be adopted to estimate the perceived earnings disparity based on the literature (Osberg & Smeeding, 2006; Wu, 2009). The Structure Equation Model (SEM) is introduced in chapter 5 to explore the pure and potential association between SES and perceived income inequality. This analysis will examine the following mediating variables: beliefs related to reward justice, development idealism, and performance legitimacy. Three chapters will detect these mediating variables. Chapter 6, 7, and 8, will discuss beliefs related to reward justice, development idealism, and performance legitimacy, respectively. Finally, a combined model of all three variables will be demonstrated in Chapter 9.

Chapter 5 probes into the direct extent to which people with different socioeconomic status (SES) vary in measure of perceived income disparity. The research supports the divergence hypothesis: the gap for perceived disparity between the upper and lower classes in contemporary China becomes larger as the rate of income inequality increases.

Chapter 6 gives a detailed discussion of the structural approach in terms of an individual's beliefs about legitimizing reward justice. Based on the existing debate, this chapter tries to see which sectors have employees who are more likely to legitimize their reward justice. Moreover, this chapter demonstrates that although workers in market sector jobs obtain better returns based on schooling, they have a lower level of reward justice than do their state counterparts. As for the question as to why those working at market sector jobs, with higher returns to human capital, are less likely than their state counterparts to legitimize their own reward, two plausible explanations can be made: the first explanation refers to the gap between what the employees in the state sector actually receive from their education versus what they expect to receive; this gap is far greater than that found in the market sector. The other explanation is that there is better social welfare allocation in the state segment than there is in the market segment.



Chapter 7 tests the psychological hypothesis in the existing literature that the Chinese consider income inequality as the normal consequence of economic development, as when they have undergone quick increases in both national economic development and situated earnings disparity (Xie & Wang, 2009). By analyzing the interview data and reviewing policy statements, distributive disputes and academic scholarship, this chapter shows that the prevailing discourses about income inequality obviously maintain the normative beliefs of prevailing orthodoxy as the necessary result of marketization.

Chapter 8 scrutinizes the hypothesis that many Chinese people tolerate income inequality because of the high productivity of the government's economic performance (Xie, 2010).

Chapter 9 combines the potential and pure effect of socioeconomic status (SES) on perceived income inequality. I use a Structure Equation Model (SEM) to compare the comparative significance of structural, psychological and cultural accounts of the perceived income inequality in China.

Chapter 10 shifts attention from perceived income inequality to responses to income inequality, with an empirical portrait of what I am calling the wealth redistribution or rearrangement preference. Specifically, those in the lowest economic stratum are sensitive to the intensified income inequality, and strongly wish for the governmental wealth rearrangement. People from the middle level tend to be more moderate towards the government wealth rearrangement strategies, and they lack the motivation to urge the government to transfer wealth from the rich to the poor through taxation policy. Their top-level counterparts express indifferent attitudes on this issue. The divergence of differences in preference for wealth rearrangement between people from the top and the bottom can be seen as a signifier of socio-economic polarization within Chinese society.

Finally, in chapter 11, my conclusion summarizes the key discoveries, limitations, policy significance and suggestions arising from my research analysis, and interprets a new understanding for an apparently high Chinese tolerance for perceived income inequality. The research partly supports the existing assertion that the people in the bottom level are eager to be populist, while those in top level of economic strata had changed to be changed an

oligarchy (*Shang ceng gua tou hua, xia ceng min cui hua*)(Kahn, 2006). The research model developed through this project can be further elaborated to provide an increasingly complex portrait of the divergent forces emerging at the site of intensified income disparity across a range of variable economic conditions shaping human and social potentials across mainland China.

## CHAPTER TWO: CHINA'S INCOME INEQUALITY: THEN AND NOW

As noted in the introduction, income inequality has been a heated issue in Chinese politics. Perceived earnings disparity has received significant attention in media and scholarly research (Martin, 2009; Wu, 2009). The Gini coefficient is one of the indicators gauging income inequality (Gini, 1921). A related report shows that the Gini coefficient in China changes from 0.31 in 1978 to more than 0.40 in 2000 (Chang, 2002). It is shown that the nation's society will become uneven if the Gini coefficient is higher than 0.40 (Ola, 2007).

As Yu (2008) argues, "China's rapidly changing opportunity structures, along with uneven distributions of gains from reform, might affect individuals' economic prospects and sense of long-term stability, and thus their psychological well-being" (p. 348).

This chapter will provide a comprehensive portrayal of China's income inequality over a century of rapid social change. Specifically, several main types of income inequality will be illustrated. This chapter concisely outlines the basic conditions of income inequality in China, and continues by illustrating several official programs that contribute to this persistent social problem. .

### 2.1 Distribution at the First Stage of CCP

K. Yang shows that abolishing an apparently unequal allocation structure and establishing a more equal social distribution system are a vital factor for the Chinese Communist Party (CCP) in introducing the idea of changing methods of resource distribution (2008). He also summarizes that the Chinese Communist Party (CCP) struggled with use of violence in order to create a more fair distribution system after the success of China's revolution.

In rural China during the 1950s, the early Agricultural Cooperatives Institution (*nong ye he zuo she*) was formed spontaneously by peasants, which is a small-scale organization with mutual cooperation among its members (T. Chen, 1995). The basic aim of the organization is to enhance the ability for farmers to endure natural and other disasters (S. Yang, 2002). Its primary characteristic is to maintain private land ownership, and it is usually only organized during the busy harvest season (T. Chen, 1995).

At the beginning stage of the People's Republic of China, the Agricultural Cooperatives Institutions' allocation model followed the principle of "distribution according to work" (*an lao fen pei*): people received food or other salary based on the strength of the labor force, profession of skilled work, and the daily records' work score (S. Yang, 2002).

S. Yang (2002) indicates that there were three types of redistribution at the beginning period of the People's Communes in 1957. The first was a food supply system, which was generally adopted across the country and its characteristic mechanism was that the members received food without pay after submitting the food proportion instructed by the government to the local People's Communes' Public Canteen (*Ren min gong she shi tang*); the second type of distribution was a food plus non-staple food allocation system; the third type was the basic livelihood distribution system, including food, clothing, housing and other items. However, a few months later, when adequate foodstuffs were not available for the members, a severe consequence was that food shortages in some places led to many people who starved to death from 1959 to 1961 (Zhao, 2009).

Beginning in 1952, the country implemented the Eight-grade Wage System (*Ba ji gong zi zhi*) in urban China, which means the workers' salary was divided into eight ranks according to complexity of production and technical proficiency (K. Yang, 2008). The other distribution structure was the "Occupation Wage System" (*zhi wu gong zi zhi*) for the managers, which meant that the enterprise managers' salary was dependant on the managers' administration rank (Chi, 1999).

However, two disadvantages of Mao's policies remain: the first is that income inequality in the time of Mao was experienced only among common people, which meant that the populace at that time experienced poverty equally; the second disadvantage is that those who had power and privileges enjoyed them all equally. Thus, it is not true to say that the time of Mao was an egalitarian time.

## 2.2 Income Disparity in the Post-Mao Period

After the Cultural Revolution, China's economy had been on the verge of breakdown (S. Yang, 2002). Although an independent and completed industrial system was established, the people of China were still poor. In addition, after the Cultural Revolution, the Chinese Communist Party (CCP) had a certain degree of crisis in political trust (Zhao, 2009). Deng Xiaoping took power for a third time, changing the economic system to a market-orientated from a state-controlled economy, which was warmly welcomed by the people (S. Yang, 2002).

The Third Session of the Eleventh Central Committee of the Chinese Communist Party (*zhong guo gong chan dang shi yi jie san zhong quan hui*) was seen as a chance to reestablish some sense of order out of chaos, including a return to Marxist ideology, which now abandoned the slogan of "class struggle" (*ji jie dou zheng*) (S. Yang, 2002). In other words, in this meeting, the Chinese Communist Party's work "focuses shifted to socialist economic creation" (*zhun yi dao yi jing ji jian she wei zhong xin*) as the Chinese Communist Party's acclaimed platform. The Third Session of the Eleventh Central Committee of the Party confirmed Deng Xiaoping to be the principal leader of the Chinese Communist Party Central Committee, which opened the possibility of creation of socialism with Chinese features (*jian she you zhong guo te se de she hui zhu yi*). The meeting initiated the historical mandate of the Chinese Communist Party in the new era to create an authoritative socialist country, establishing the socialist policy of "opening-up and reform" (*gai ge kai fang zheng ce*) (Y. Chen, 2003).

S. Yang shows that the "Contract Responsibility System" (*jia ting lian chan cheng bao ze ren zhi*) rendered the peasants responsible for the results of production, and the government justified the peasants' management right after the peasants submitted the allocation proportion of food to the government (2002). In his analysis, Yang argues that the distribution method of the "Contract Responsibility System" provided a constructive incentive for stimulating productivity in rural China at that time, but it invested the "Contract Responsibility System" with bonuses and piece-rate wages in some areas, including industry

and within the work unit.

The market-oriented economy developed from centrally planned socialist economy (*ji hua jing ji*) in the course of economic reform in China (Martin, 2009) and has been accompanied by unexpectedly high levels of economic development (Hauser & Xie, 2005; Smyth et al., 2010). On the road to economic growth, China has also experienced intensifications in earnings disparity in diverse ways. Some of the forms of status differentiation and economic inequality that China's transformation had attacked have had a profound effect on Chinese daily life (Hauser & Xie, 2005; Martin, 2010, p.25). Despite different estimates, many scholars have acclaimed that with the introduction of this new economic system; China has principally experienced enlarged income disparity across a range of social dimensions (Wu & Xie, 2003; Hauser & Xie, 2005; Yu, 2008). In 1988, the Gini coefficient for Chinese urban areas was 0.233 and in 1995 it jumped to 0.332 (Khan & Riskin, 1998; as cited in Hauser & Xie, 2005), strikingly higher than the year of the employment of "reform and opening-up policy" (*Gai ge kai fang*) in 1978 (between 0.16 and 0.19) (Adelman & Sunding, 1987; Li, Zhao, & Ping, 1997; Zhao, 1990; 1999; as cited in Hauser & Xie, 2005). Additional investigation illustrates that about 45% of wealth was dominated by 10% of the urban inhabitants, while the underprivileged 10% of individuals had just 1.4% of available wealth in urban China in 2005 (Inequality, 2005). Thus, some inhabitants in China have obtained higher profit in the process of economic restructuring (Zhou, Wang, & Chen, 2010). The following are some forms of income inequality.

### 2.2.1 Rural-Urban Income Inequality

After the Chinese Communist Party assumed control of the nation in 1949, they focused on the development of urban areas and tried to establish a modern industrial system, which remains the main cause for the current situation of the urban-rural equity gap (Wei, 2007). Fu (2010) points out that the great earnings difference between China's city and rural regions was also recognized after they initiated the "reform and opening-up" policy in 1978. The Chinese Communist Party concentrated on the development of the urban manufacturing segment in order to replace the weak foundation of economic institutions in Mao's era, which assumed that the means of achieving industrialization and ending the previous accumulation model was to develop from agricultural resources (Wei, 2007).

Through policy and institutional means, the government implemented a “scissors” to exploit peasants’ agricultural products with low prices in order to accumulate capital and to invest in urban industrial construction (L. Hu & A. Hu, 2005; Wei, 2007). The imbalance of city and rural development turns out to be progressively more severe over time (Chang, 2002).

Moreover, in 2009, according to China’s official Statistics, individual capital disposable earnings in the city is over 3 times higher, compared with that in the countryside, and the earnings disparity among rural people and cities’ inhabitants in 2009 was the widest in the past 32 years as estimated by *China Daily* (Fu, 2010).

### 2.2.2 Regional Disparities

Xie & Hannum (1996) point out that the unbalanced wealth arrangement system of resources in China, which takes the form of income disparity among rural and urban members of the Chinese population, has varied depending on both regional and temporal dimensions. In their analysis, the consideration of the first one cannot be separated from China’s imbalanced regional development in the course of economic system transformations. Several research studies on about the results of economic transition in China have achieved a consensus that China should be seen as a big country with uneven regional economies (Linge & Forbes, 1990; Khan, Griffen, Riskin, & Zhao, 1992; Knight & Song, 1993; Nee, 1996). The importance of considering regional variations as opposed to homogeneous national entities involves looking at two factors; while China’s economic activities in different regions have created unequal access to natural and human resources, regional variations have been part of a deliberate scheme in the Chinese Communist Party’s plan for economic reforms (Xie & Hannum, 1996). This is obvious when one understands the slogan “Let certain people become rich first in order to achieve common prosperity” (Zhao, 1994, p.115). As a result, economic reform in China has unevenly favored eastern regions at the expense of internal areas, and great economic gaps across regions have emerged (Aguignier, 1988; Falkenheim, 1988; Linge & Forbes, 1990; Shirk, 1989).

The spatial earning gap enlarges gradually in the process of economic growth (Xie & Hannum, 1996). The GDP per capita rises from 381 Yuan in 1978 to 18,934 Yuan in 2007

while the Gini coefficient of regional earnings gap jumps from 0.12 in 1978 to 0.21 in 2007 (Gao, 2009). The significant spatial unevenness is a reflection of the great gap between development of the western and eastern areas in China (Gao, 2009; L. Hu & A. Hu, 2005). In 1980, the ratio of per capita GDP among the eastern, central, and western areas, ratio is: 1.8:1.18:1; in 1990 it expands 1.9:1.17:1, and in 2002 is 2.63:1.26:1 (L. Hu & A. Hu, 2005). The regional development disparity between the eastern and western areas becomes a severe instrument that influenced the development of China's economic system and has impacted social solidarity (Gao, 2009). In 1999, the State Council set up the Western Regional Development (*Xi bu da kai fa*) to improve the development of western region, which includes 12 provinces and autonomous areas (Western Region Development, 2005). Although the central administration has adapted some policies to reduce regional inequality, the result is not yet very clear as the result of employing these procedures.

### 2.2.3 Disparity between the Industrial Sector and Ownership Type

Since 1978, post-economic reform in urban China has realigned economic factors in such a way that market economic organizations are emerging and grow quickly in Chinese market activities, and the state-owned enterprises' previous dominance have accordingly been challenged (Wu, 2002). This transition has been a multifaceted process leading to great changes in diverse aspects of the society, such as employment conditions, the rewards to human and political capital, and economic disparities across the country (Bian, 2002). These changes undoubtedly influence people in earning approaches and in psychological perception of the changes (Yu, 2008).

In terms of the degree of relevance to the marketplace, Wu (2002) divided firms in contemporary urban China into three types. Given that most primary institutional or official differences are between state-run enterprises and private companies, he more clearly defined state firms, which "include all state-owned enterprises and some collective enterprises (large collective enterprises)" (Wu, 2002, p.1077), and market firms, which "include the remaining collective enterprises (small collective enterprises) as well as private enterprises, share-holding enterprises, joint-ventures, and foreign enterprises" (Wu, 2002, p.1077).

Due to the capacity gap of all sectors to produce more consistent overall well-being,



inter-organizational profitability and earnings disparity among work units have formed and are generally recognized in academic studies (Xie & Wu, 2008; Wu, 2002). Although no consensus has been achieved upon the debate regarding who gains and loses during the transition-employees of state sectors or those of market ones, the differentials in economic benefits between them are regarded to be primarily caused by different memberships in these two sectors (Wu, 2002). Another way to say this would be “earnings might vary significantly among people with the same level of education working at the same occupations solely because of their affiliations with organizations with different revenue-generating ability” (Xie & Wu, 2008, p.567). In particular, latent economic benefits, which take the form of fringe benefits and social welfare programs, are more closely associated with which organization each worker affiliates with within the Chinese context (Zhou, 2000a).

#### 2.2.4 Disparity between Work Organizations

Most inhabitants in urban China affiliated to a work unit (*danwei*) before the Opening-up and Reform Policy initiated in 1978 (Wu, 2002; Xie, Lai, & Wu, 2009). Since state-run firms consisted of social organizations in cities and many people worked in these organizations (Wu & Perloff, 2005), *danwei*, at that time, was almost the same noun used for national-run firms (Xie & Wu, 2008). These employees and their relatives in state-owned enterprises were completely reliant on connected *danwei* in receiving living wages and occupational opportunities (Walder, 1992; Bian, 2002). As well, their identity was a primary symbol of societal position in a *danwei* (Xie & Wu, 2008; Xie, Lai, & Wu, 2009).

The historical scenario depicted above changed after 1978 and the implementation of market-enhancing mechanisms in China. With the development of economic features not controlled by the state, market organizations like private companies and joint ventures with overseas firms (*zhong wai he zi qi ye*) turned out to be a source of material funds and career opportunities differing from those available in the state-owned firms (Wu, 2002; Xie & Wu, 2008). With the intensifying of marketization, these newly expanding firms gained market advantages and increasingly government-controlled firms were pressed into more marginalized status during the processes of competition (Wu & Xie, 2003; Zang, 2002). Accordingly, the benefits previously available to those administration-controlled enterprises workers sharply decreased (McMillan & Naughton, 1993; Naughton, 1999).

### 2.3 The Wealth Disparity between Government and Civilians

Although many scholars and the mass media pay attention to income inequality amongst individuals, some researchers point out that we cannot ignore the large wealth gap between government officials and civilians in China (C. Chen, 2004; Z. Chen, 2008; Yeung, 2009).

Z. Chen gives a detailed description of the Chinese government's tax revenue situation of the past decades (2008). He (2008) shows that, at the first stage of the reform in 1978, the scale of the state's tax revenue corresponded to 8.5 billion RMB in net income for farmers, and 3.3 billion RMB in disposable income of urban inhabitants; By 1995, however, a year after China's 1994 fiscal reform (S. Wang, 1997), the state tax revenue was equal to 1.46 billion RMB disposable income for urban residents and 3.9 billion RMB in net income for rural inhabitants; In 2007, the Chinese government's fiscal spending was equal to the income of 370 million urban inhabitants or the net income of 1.23 billion farmers. Thus, from 1995 to 2007, after calculating for the inflation index, the state's revenue amplified by 5.7 times the per capita disposable income while urban dwellers revenue enlarged by 1.6 times and agriculturalist revenue increased by just 1.2 times (Z. Chen, 2008).

Actually, both the provincial and central governments had strong motivation to increase the funds of their budgets (C. Chen, 2004; Mu, 2012), and one of the consequences of decentralization of monetization was to increase the scale of governments (Yeung, 2009). This direction of the motivation for expanding the government's size is associated with China's fiscal reform in 1994, which made the government's control wealthier than ever (S. Wang, 1997). Analyzing data from several areas and different time points, C. Chen (2004) shows that increasing of provincial government budget and spending is caused by the growth of monetary transfer.

Therefore, it is crucial to understand that increasing government tax and financial revenue is higher than the rising rate of economic development (Z. Chen, 2008; Mu, 2012).

After reviewing several types of earnings inequality in contemporary China, it remains now to investigate people's basic response of the persisting income inequality.

Due to the emergence of earnings disparities between the poor and the wealthy in urban China, the term “riches disgust” has emerged and its extent and concentration seems to be widespread and prominent (Sun, 2005; Zang, 2008). Under the slogan of “becoming wealthy is brilliance,” some people and some areas do earn much money and thereby accomplish the goal to become rich as designed by Deng Xiaoping (1994). However, the term “riches disgust” is frequently used by average Chinese urbanites to reject the legitimacy of the claim to wealth by the rich, and represents public resentment and anger toward them (Zang, 2008). People began to suspect the legitimacy of the wealthy and are unsatisfied with some the behaviors of the first generation of the wealthy, such as having household staff without making any donation to charity (Sun, 2005). Often, their means of collecting money are thought to be inappropriate or against the law, so they are named the “shameful wealthy.”

Zang (2008) indicates that there are three primary explanations for wealth hatred: the original sin of the rich, rising inequality, and the reluctance of the rich to contribute to charitable causes in China. The original sin perspective assumes that the public in China believe fortunes owned by the rich began through a process of primal capital gathering in terms of illegal behaviors (He, 2007; Sun, 2005; Wu, 2006). The increasing disparity perspective argues that the shared recollection of a more equal world and a desire for the past better life are the basis of bitterness towards the increasing disparity among the wealthy and underprivileged in the reform era (Davies, 2005; G. Yang, 2003; Zang, 2008). The third perspective, unkindness, blames the rich for their lack of social duties and compassion (Zang, 2008).

Against the setting of income disparity in China, the government has emphasized the significance of the wealth rearrangement policy. In 2006, creating a new conception of a harmonious society (*he xie she hui*) was initiated at the Sixteenth Party Congress, Hu Jintao has posed the reduction of income disparity as a key goal of the Chinese government’s political mandate (Y. Liu, 2009). Smyth et al. point out that Hu Jintao has implicitly modified Deng Xiaoping’s instruction that becoming wealthy is “brilliant”, and in turn has advocated “the evolution of capitalism with Chinese characteristics as a socialist market regime developed on behalf of the people” (p.276-277). These authors continue to illustrate that the rationale underlying construction of a harmonious society (*he xie she hui*) is that a

responsible institutional establishment is needed to improve social justice, to ensure social stability, and to make sure that those who have failed in the transition to competition have right of entry to the fruits of reform and developments in urban China. The political goal of a harmonious society has gained popularity in the public because the officials claim that that improving social harmony and integrating different social groups are the foremost elements required to create a comfortable social circumstance for all.

Income disparity is a common societal difficulty for many countries. Chapter two critically summarizes studies in other countries and social contexts and thus provides a necessary theoretical background against which to analyze Chinese popular attitudes income inequality.

## CHAPTER THREE: LITERATURE REVIEW AND THEORY FRAMEWROK

How do people in other countries or social contexts view income disparity? What can be learned from the existing research from studies reflecting other contexts? This chapter reviews the present literature about perceived income inequality and redistribution preferences. Next, a comprehensive and systematic theoretical frame is developed by adapting the insights gained from past literature to the present research question.

Although there is no abundant investigation on perceived income disparity in China, factors influencing such attitudes have been examined in studies of other nations, most remarkably the United States and Europe. By adopting data from the 1999 ISSP survey to explore how the public understands different earnings ratios, Hadler (2005) gives three divisions for past literature, which are defined as a structural status thesis, manifestation thesis and beliefs thesis. Furthermore, Saar (2008) distinguishes two aspects, including collective factors and individual factors when exploring the experiences of different early cohorts of perceived income inequality in Estonia.

Thus, in this research, the social-structural approach, psychological-cognitive approach, and cultural-ideological approach can be summarized as factors' affecting an individual's perceived income inequality based on the work of Hadler (2005) and Saar (2008).

### 3.1 Social-Structural Approach

To some extent, the essential assumption of the structural perspective on perceived income inequality is based on self-interest theory (Ma & Liu, 2010). Self-interest theory suggests that most people are materialist: a decision is based on the maximization of predictable utility; the feeling of distribution fairness depends on her or his benefit from the allocation (Ng & Allen, 2005; Ma & Liu, 2010). If an individual benefits from the current allocation, he or she tends to consider that the current allocation situation as fair, otherwise he or she has the opposite perception (Sears & Fun, 1991; Ng & Allen, 2005; Ma & Liu, 2010).

Social-structural approaches include two different aspects that influence how people perceive income disparity: one is social stratification and the other is social mobility. A focal point of social stratification argues that people's views are associated with their social positions

(Kemmelmeier & Winter, 2000; Mau, 1997; Zwicky, 1991) and social mobility (Erikson & Goldthorpe, 1985; 1992; Lipset & Bendix, 1959).

Robinson and Bell (1978) state that the orientation of self-interest explanations holds the point of view that individual's attitudes are partly determined by their rank in the social system as a whole. In terms of the concrete individual's rank in the entire social system, socioeconomic status is the essential standard to measure people's self-interest, which is always operated by earnings, schooling, and profession (Gijssberts, 2002). For instance, adopting the conception of absolute deprivation shows those individuals who are in low economic strata are more inclined to welcome an equal wealth arrangement system (Robinson & Bell, 1978). Furthermore, individuals within worse economic strata favor reduced income inequality based on the belief they could advance in such a scheme, while those in high economic strata prefer income disparity because they attempt to maintain their gain (Gijssberts, 2002).

In terms of occupations, some researchers have developed several measurements of income inequality which calculate the gap between low-income and high-income occupations (Jasso, 1999; Castillo, 2011b). A series of studies arrive at the same conclusion that people agree that those who enjoy higher salary are in occupations with better social reputations than those in occupation considered "ordinary" while there is no consensus on how much the gap between good social reputation and ordinarily social reputation occupations might be (Headey, 1991; Kelley & Evans, 1993; Svallfors, 1993; 1997).

Many North American and European studies have shown an association between social position and views of income inequality. Mau (1997), for example, demonstrated that people who categorize themselves with the lower classes are more likely to hold equal views and are more critical about income disparity in Great Britain and Sweden. In addition, Kluegel and Smith (1986) discovered that "blacks see positional inequality (occupational incomes) on the average as less fair than whites" (p.129), which means that most African Americans who are in inferior social positions are more likely to complain of income disparity.

Xu and Garand (2010) posit that people's perceived income disparity, especially those in a low economic positions, are more influenced by the situation of provincial income disparity.

Furthermore, they also show that, during the last decade, people with large income disparity have more inclination to believe in a higher national income disparity in the United States.

By analyzing longitudinal data with a variety of economic indexes from the *Michigan Surveys of Consumer Attitudes* from 1978 to 2010, Hopkins (2012) shows that all Americans in different economic strata are satisfied with the economic outcome in a period of uneven increase. In several studies of American attitudes toward the rise of income inequalities, scholars pose a serious issue whether America will lose credibility in a class conflict or will become a fixed in a polarized state (McCarty, Poole, & Rosenthal, 2006; McCall & Kenworthy, 2009). In terms of responses to income inequality, McCall and & Kenworthy (2009) show that Americans have no census measurement to reduce rising income inequality, and they also have an inclination to increase chances of equality by enlarging educational opportunity. For example, Brian and Robert (2011) figured out that the determinants including structure of wealth distribution, increasing of economic power, and the utilization of social media and news are also shaping people's evaluation of income distribution beyond individual factors.

Based on an analysis conducted in China in 2004, some scholars focused on two kinds of attitudes that constitute major components of the acceptance of legitimacy of economic distribution in a society: perceived fairness of actual disparity, and attitudes toward government intervention to reduce disparity (Martin, 2009; Martin & Han, 2008). Probing into how the Household Registration System (*hukou*) and related policies shape the differences in perceptions of income disparity among rural inhabitants, migrant workers, and urban dwellers in Reform-Era China, Han demonstrates clear distinction between documented viewpoints and China's objective variance in economic situations (2009). Martin and Han (2008) also conducted comparative studies in perceived earnings disparity in the capital city of Poland and China together, which indicates that despite the introduction of a market system in both countries, the inhabitants in Beijing have higher and more sensitive motivations about income disparity than those in Warsaw.

What's more, some other institutions such as the local government (Qi, 1995) are also essential determinants affecting individual perceived income disparity in relation to household registration. For instance, the local governments that create equal chance

circumstances may receive fewer complaints about the huge income disparity (Xu & Garand, 2010).

Viewing perceived earnings disparity in terms of social position and social mobility has been another important factor used to explain an individuals' perceived sense of earnings disparity (Martin, 2009). This is supported by the guiding principle that friends' upward mobility will improve people's prospects about the future (Hirschman & Rothschild, 1973). In addition, Erikson and Goldthorpe (1985, 1992) show that on the road of economic development, dissatisfaction is reduced by social promotion because there are less psychological conflicts among people.

Many studies have separately recognized and investigated the determinants of social mobility and inequality in contemporary China. For instance, Bian (2002) provides a detailed summary of research on social mobility in China while Zhou (2004) gives a comprehensive account of the changing inequality and social stratification in urban areas from 1949 to 1994. In addition, Zhou (2004) shows that China's economic growth has greatly increased wealth and has allowed people to climb up the social ladder on an unprecedented scale. A report titled *Social Mobility in Contemporary China in 2004*, from the Chinese Academy of Social Sciences (CASS), contends that the prospect for upward mobility during modernization contributes to the seemingly high tolerance of inequality in China (Lu, 2004). So it can be seen that some visible upward mobility may lessen many people's anger toward inequality.

### 3.2 Cognitive-Psychological Approach

A second orientation to perceptions about inequality is the reflection thesis, which asserts that people's views replicate the situation that is dominant in reality (Gijssberts, 2002; Jasso, 1999). As Homans briefly acclaims, "The rule of distributive justice is a statement of what ought to be, and what people say ought to be is determined in the long run and with some lag by what they find in fact to be the case" (1974, p.250).

Actually, people's beliefs are not always consistent with the real world (Hadler, 2005). As he mentioned above concerning the influence of structural positioning, people's views can be changed in many fields and sometimes determined by their rank within the social system.



Therefore, it is unsuitable that we ignore people's perceptions because perception is also an essential part of what conditions the real world (Hadler, 2005).

Some studies combine an individual's perceived and sense of just incomes to explore the perception of disparity (Gijsberts, 2002; Jasso, 1999). By comparing the International Social Survey Program (ISSP) results from 1999 and in 2009, Castillo (2011a) traces the change of perceived legitimacy of earnings disparity in Chile, South American country with the highest income inequality. The unexpected outcome of this research shows that Chileans had a higher just index of the wage gap among occupations in 2009 than 1999.

This reasons why some disadvantaged groups are more inclined to accept income inequality may be explained by the social cognitive and internalization perspectives.

The basic points of social cognitive theory are: people do not look outside their social sphere passively; on the contrary, they integrate their own perception, thoughts, and beliefs into a simple and meaningful cause regardless of how messy the outside situation (Bandura, 1989).

Cognitive dissonance theory proposed by Festinger (1957) assumed that "the individual strives toward consistency within himself" (p.1), which means when individuals face a new situation, they would have a psychological conflict between the new cognition and the old cognition. In order to eliminate such intense discomfort, the individual would tend to use two ways to sustain self-adaptation: one is to deny the new cognition; the other is to seek a message or explanation to form a new cognition and enhance the credibility of the new awareness in order to completely replace the old cognition and maintain psychological balance (Bandura, 1989; Beauvois & Joule, 1996).

Internalization is a process of integrating the original and new ideas or beliefs into a unified attitude system, which will become a part of individual's personality (Wallis & Poulton, 2001). In other words, the structure of human cognition is a dynamic system, which is in a developing and changing situation with self-regulation and self-improvement; it can accept new things, solve new problems, and adapt to the new environment to justify the reality (Wallis & Poulton, 2001).

Malahy et.al (2009) show that “Belief in a Just World Scale” (Rubin & Peplau, 1975) plays an important role in legitimating income inequality by analyzing students in United States colleges. Sutphin (2009) finds out that people can justify the inequality when they think the reality is harmonious with perception. This research also shows that self-evaluations are the essential factors which can help people to accept the strict or unreasonable social order.

Adopting the lay theories, Iatridis (2009) discovers that the people with high socioeconomic status (SES) who are successful in education and those with low SES who fail in education, believe ability is the main factor for inequality. However, this research also finds that those with high SES who fail in education and those with low SES who are educational, consider instability as the primary cause.

Relative Deprivation Theory cannot be ignored in relation to the perception-orientated outline (Merton, 1968; Runciman, 1966), which is first introduced in the study of American soldiers in 1966. Studying the relationship between morale and promotion for the Second World War’s soldiers, Runciman (1966) discovered that the soldiers evaluate their position according to the location of the people around them rather than basing it on an objective standard to evaluate the position. Therefore, when people compared to a reference population with their condition, they will have a sense of deprivation after they find themselves in a disadvantaged condition which results in producing negative emotions such as anger, resentment, or dissatisfaction (Merton, 1968; Runciman, 1966),.

Adopting a vignette experiment, Chang (2011) similarly illustrates that the individual’s social network is associated with people’s assessment of income disparity under the frame of social comparison, which partly answers why people have different perceptions and assessments of income disparity.

Following the theory of legitimacy premise, individuals in the process of self-evolution judge their societal worth based on their contributions and cultivate satisfied or unsatisfied self-evaluations in proportion to their positions as privileged or unprivileged in the social order, and then assess whether their socioeconomic exchanges are fair (Stolte, 1983; Norma, 1987). Those with positive self-images tend to see themselves as being worthy of higher rewards, whereas those who hold negative self-evaluations regard their lower level of

rewards as acceptable and reasonable (Stolte, 1983).

In addition to self-evolution, Norma points out that the effect of self-perception in the legitimating process on interpretations of reward justice should not be ignored (1987). In other words, in terms of contrasting the individual condition with that of another, namely, the referential others, individuals develop a sense of relative deprivation and make an assessment of whether or not their rewards can be acceptable in this explanation. Specifically, people develop understandings of their position and the returns and assistance of others and could find that they are underpaid; if so, their appraisal of the justice of their possessed incomes will be challenged and their belief of equality of opportunity and incomes will diminish (Fave, 1980; Stolte, 1983).

### 3.3 Cultural-Ideological Approach

Compared to the social-structural approach, cultural-ideology gives an emphasis to both ideology and culture's role in influencing people's views regarding the fairness of wealth distribution (Verwiebe & Wegener, 2000; Halder, 2005). Those who hold stronger acceptance about equal allocation are less satisfied with current earnings disparities since they consider that the disparity between the poor and the wealthy as unjust, according to the research of Verwiebe and Wegener (2000). By doing a comparison among several transitional countries, they demonstrate that culture plays a significant role in shaping individual understandings of income disparity.

The perceived earnings disparity in China may be influenced by Chinese traditional culture and post-socialist cultures (Martin, 2008; Xie, 2010). However, some folk cultures are also popular in determining people's values. In terms of income disparity, a famous folk saying is that "people do not laugh at prostitution but laugh at the poor" (*xiao pin bu xiao chang*), which means that the poor will be held in contempt for their poverty although they simply lack the opportunity to become rich. Another popular saying is that, "If you are patient in one moment of anger, you will escape a hundred days of sorrow" (*ren yi shi feng ping lang jing*), which advises that people tolerate the current condition even though suffering unjust treatment. These are good examples of why one must take folk culture into account when assessing responses to income disparities.

Doing a comparative investigation, Wu (2009) explores the ordinary individual's understanding of earnings disparity and concludes that individuals in Hong Kong are more tolerant of earnings disparities than those in Mainland China. Wu also finds that individual's assessment of chance produces a factor which influences people's sensitivity of earnings disparities in Hong Kong and Mainland China (2009). Collecting and analyzing survey data in Hong Kong, Wan (2009) shows that members in underprivileged groups are more likely than those in the privileged ones to perceive income inequality as unfair, which partly gives evidence to affirm the social-structural approach to analysis of perceived income disparities.

In traditional Chinese economic thought, Confucianism advocates income equality in the distribution system (Lu, 2009). To some extent, the distribution advocated by Confucians is a type of hierarchical supply, which keeps balance among different social groups (Wu, 2009). Lu shows that equality in the discipline of Confucians pirates not to eliminate the disparity between the poor and the wealthy but to consider their interests along various registers, which cannot make the rich, become too wealthy, and the poor become destitute (2009). He continues to argue that absolute equality will destroy the equilibrium of society and lead to social unrest (Lu, 2009). However, the leaders in the peasant uprising movement put forward a slogan of "sharing equally" (*Jun ping*), which demands an absolute egalitarian distribution (Hu, 2005). Another saying is that there is, "No harvest without the uneven tenure land distribution" (*jing di bu jun, gu lu bu ping*) (Zhu, 1993, p.492).

A series of social liberation movements for land reform, cooperatives, and the establishment of people's communes evolved a process of shaping peasants' egalitarianism ideology in China (Lu, 2006).

Kreidl disagrees with the hypothesis that the individual's perception and attitudes are partly shaped by the prevailing ethics within a society (2000). The doubt with this theory is that the elite is able to influence the beliefs of other classes alone; a divided awareness theory postulates that people hold diverse opinions that are subject to the categories of disparity remaining in a society.

Chief and minor societal values are detected by Verwiebe and Wegener (2000), which means that besides the prevailing beliefs, there are some minor values existing in different social

assemblies. Concerning customary beliefs, post materialist and worldly rational ethics, Inglehart and Baker (2000) emphasize social variances and cultural comparisons in research and they discover that a widespread diversity of culture is inherited by the public.

Which ideology has more significance in shaping the people's view of income disparity? Some dominant ideological factors have been revealed in existing literature. One important type involves the quantity of egalitarianism (Hadler, 2005). It is assumed that fair chances and people's rights were considered as more significant for capitalist entities such as the United States; whereas having faith in a fair and equal society was a chief ideology for those in socialist countries (Kreidl, 2000; Noll, 1998; Verwiebe & Wegener, 2000). Several studies show that the people who reside in communist countries will more likely be shaped by socialist values (Haller, Mach, & Zwicky, 1995; Inglehart & Baker, 2000; Kelley & Evans, 1993).

Individualism assumes that the income inequality is the normal result of competition and that it is necessary for a society because income inequality is the incentive; the point of the egalitarianism holds that everyone should share the grain equally, however, and that the government or state has the responsibility to reduce income disparity (Verwiebe & Wegener, 2000; Castillo, 2011a).

### 3.4 Literature Involving Redistributive Preference

Despite the lack of studies in a Chinese context, an increasing volume of Western literature has been rooted in the question of what influences the requirement for wealth redistribution (Alesina & La Ferrara, 2005). It has been documented that preferences for redistribution in related studies in individual-level perspective includes both self-interest and fairness beliefs (Alesina & La Ferrara, 2005; Alesina & Fuchs-Schundeln, 2007).

The self-interest perspective is rooted in a structural position thesis and more specifically, modifies and extends the traditional rational-choice-based model about "subjective evaluations of past experiences and future expectations" (Tóth, 2008, p.1068). The structural thesis argues that an individual's attitudes are partly influenced by their status or rank in a society (Gijssberts, 2002; Haller et al., 1995; Kemmelmeier & Winter, 2000; Mau, 1997;

Zwicky, 1991). Self-interest, which can be seen as a proxy of social positions, refers to “a person’s general stake in maintaining the economic status quo” (Kluegel & Smith, 1986, p.183). The basic premise underlying this perspective is that the higher the portion of return controlled by the individual, the stronger the attention on keeping the current situation (Robinson & Bell, 1978). Following this logic, the potential and actual beneficiaries of redistributions are supportive of these policies (Linos & West, 2003). Some studies related to public attitude and well-being policy have affirmed this point (Linos & West, 2003). For example, it has been found by researchers of American and European social policy that transfers are more likely to be favored by some social groups than others, such as those who lose jobs and those with less salary (Bean & Papadakis, 1998; Gelissen, 2000; Luo, 1998). In addition, Gijssberts (2002) has drawn a similar conclusion, that the less the salary received, the lower the satisfaction with income disparity perceived as legitimate from assessment among several areas.

Conventionally, self-interest is often measured by people’s income and social mobility, with respect to past (actual) and future (expected) situations (Ilja & Peter, 2010). The measurement of self-interest can be gleaned from Tóth’s comprehensive summary: it is “shaded by past mobility experience and future mobility expectations on the one hand, and by estimations of assumed gains from potential redistribution on the other hand, and along with risk-taking and risk-averse attitudes” (2008, p.1064).

The self-interest perspective often begins with claims that different individuals’ material circumstances can influence their views about wealth redistribution (Linos & West, 2003). One consideration is current income; some researchers have proved that it negatively associated with the demand for redistribution (Alesina & Ferrara, 2005). Put simply, the wealthy have lower motivation whereas those in bottom classes are more prone to advocate redistribution, holding all other things equal (Meltzer & Richards, 1981; Romer, 1975). For instance, in Romer (1975), and Meltzer and Richards’ (1981) theoretical frames, the rich and the poor are distinguished from each other in redistributive contexts based on a specific indicator; “A proportional tax on income is levied on individuals with different productivity and the proceeds are redistributed in a lump sum manner” (Alesina & Ferrara, 2005, p.900). Lower demand for redistribution is also found for those who were taxed lower in Alesina and Ferrara’s research (2005). Thus, they show that those with earnings before taxes above the

average level are more likely to support a zero tax than for their counterparts with earnings before taxes under the average level; an optimistic tax fee is the best choice for the middle class voter. In addition, Kluegel and Smith (1986) show that “white Americans strongly reject programs they view as promoting preferential treatment favoring blacks” (p.202). They explain that “the threat that affirmative-action programs seem to pose to an individual’s direct economic self-interest has a substantially smaller impact than that of racial affect or beliefs about social inequality” (Kluegel & Smith, 1986, p.210), which means that this resentment stems from relative deprivation, and their argument implicitly involves the idea that self-interest results from class stratification and can function to channel preferences for redistribution.

In reality, however, when individuals assess their current material situations, they consider not only their own objective situations but also subjectively compare their personal situations with others (Alesina & Ferrara, 2005). In terms of the perceived gap, Gijssberts (2002) examines the extent of legitimization of income disparity by pointing out that a subjective impression of inequality is more significant than actual disparity. In this sense, the concept of relative deprivation is frequently used to indicate the feeling of being under-rewarded and the projection of this feeling onto the whole society (Hadler, 2005; Merton, 1968; Runciman, 1966). Another concept people often resort to is retributive justice, which indicates that what individuals’ resources “ought to be is determined in the long run and with some lag by what they find in fact to be the case” (Homans, 1974, p.250). Accordingly, some authors go further by introducing a more complex indicator based on current income and comparative incomes (Tóth, 2008). In this regard, an individual’s subjective comparison between his/her earnings with others instead of with his/her precedent private practices or upcoming individual prospects also correlates with his/her demands for redistribution (Alesina & Ferrara, 2005; Tóth, 2008). Another consideration is past actual economic experiences or future income expectations, which Tóth (2008, p.1065) describes as follows:

People, when evaluating their own current material circumstances, are a part of their own stories, including the story of the direction of recent changes in their own economic circumstances, their particular knowledge and beliefs, or their expectations for their fortunes in life.

He implicitly underscores the effect of change in economic situations (i.e., from the previous or in the upcoming real or anticipated conditions) on social demand for redistribution.

Take future expected income as an example. The underlying premise is that individuals with income below the mean in their early work careers, rationally believe it is possible to get rich later, and might oppose redistribution, since redistributive policies cannot be changed very frequently and those who benefit from them early may find disadvantages to themselves later (Benabou & Ok, 2001). That is to say, individuals' confidence that their economic circumstances will get better in the near future reduces their preference for redistribution even for those who are currently in need of help, under the supposition that distribution laws are often stable (Alesina & Ferrara, 2005; Tóth, 2008). Therefore, forecasts of upcoming situations in which wage ranking can influence peoples' present demand for redistribution, show accordingly that people who expect improvements in their own economic circumstances are less inclined to support redistributive policies, while those feeling vagueness about their own material future show higher preferences for redistribution (Alesina & Ferrara, 2005; Tóth, 2008). This is what several scholars have called individual risk aversion, thought of as a factor affecting redistributive preferences (Alesina & Ferrara, 2005; Sinn, 1995). Similarly, risk averse individuals are supposed to be more favorable towards redistribution, since "redistributive policies constitute a form of insurance" (Alesina & Ferrara 2005, p.902). Thus, even though the current government's redistribution policy brings a demonstrable cost, they might "constitute a desirable means of insuring against future downward mobility" (Alesina & Ferrara, 2005, p.902). Though the hypothesis that preferences for redistribution significantly associates with relative salary altitude is generally always in need of further examination (Tóth, 2008), it is clear that based on the discussion of the income issue in the literature that individuals' "perceptions of (levels of and changes to) actual incomes and confidence in the future development trajectories" significantly affects their redistributive preferences (Tóth, 2008, p.1083).

The second set of individual-level factors shaping people's views about redistribution involves perceptions of social mobility (Linos & West, 2003). Several studies, based on surveys in Britain and America, imply that social mobility is the most important factor determining their demand for redistribution (Fong, 2001; Funk, 2000; Luo, 1998).



Two lines of arguments have been made regarding differences in the time point of social mobility, involving prospects of future mobility and previous mobility experiences (Alesina & Ferrara, 2005; Tóth, 2008). The proponents of the former case assume that the requirement for redistribution negatively associates with former promotion experiences (Picketty, 1995). Due to the insufficiency of information people have in evaluating their expectations, they often know little about their true chances of upward mobility and thus resort to their history of mobility (Fong, 2001) as indicator. Put simply, they frequently “extract signals about their future prospects from their own recent experience” (Alesina & Ferrara, 2005, p.902).

Scholars from the latter group form a new association between expected rising career position and demands for wealth redistribution, as founded by Benabou and Ok (2001), who named the Prospect of Upward Mobility (POUM) supposition. They argued that the disadvantaged might oppose wealth redistribution when they think they, themselves, may be promoted in their social positions in the future, whereas their wealthy counterparts might favor redistribution if they are facing challenges of economic deterioration and feel unconfident with their future social status (Benabou & Ok, 2001). Several empirical researchers have agreed: a study by Smyth et al. (2010) confirms the POUM model and contextualizes its findings into the Chinese context. By exploring how self-perceived forecasts for promotion influence demands for wealth rearrangement in urban China, this study argues that attitudes toward redistribution are shaped by subjective perceptions of future mobility (Smyth et al., 2010).

The second individual-level perspective, termed as “fairness beliefs”, emphasizes the importance of both ideological commitments and value systems in defining redistribution preferences (Linos & West, 2003; Smyth et al., 2010; Tóth, 2008). These individual beliefs take two forms: a privilege/handout effect, and an unselfishness/public values effect (Fong, 2001).

The entitlement/handout effect explains the belief that there should be a connection between effort and outcomes (Romer, 1994; Smyth et al., 2010). In essence, this indicator deals with attitudes about the cause of disparity in terms of virtue or capacity, and focuses on the beliefs in equal chances for all (Alesina & Ferrara, 2005). There has been a consensus among several scholars (Alesina, Glaeser, & Sacerdote, 2001; Alesina & La Ferrara, 2005; Fong, 2001;

Picketty, 1995) that opinions about the factors influencing people's achievement, the belief that it is hard work or destiny that results in advanced social status, are key factors shaping preferences for redistribution. In this regard, people's understanding of the nature of society is thought to contribute to their distribution preferences (Alesina & Ferrara, 2005). The assumption that underlies this argument is that egalitarian attitudes embedded in people's fairness beliefs result in disapproval of the return scheme and favor wealth rearrangements to adjust for the inevitable disappointments: "systems with strong egalitarian features may be criticized by the actors involved as systems that put too little stress on merit-related rewards" (Tóth, 2008, p.1067-1068). Following this logic, people who regard success and wealth more in terms of diligence and effort are more hostile towards redistribution, whereas those who think achievement and assets are merely a matter of destiny, relations or background are more likely to accept redistribution (Alesina & Ferrara, 2005).

If one looks at the American's leading ideology, those who think the country is a ground of equal chances and that individual hard work and capacities influence success often do not favor redistribution policies initiated by the government in Alesina and La Ferrara's research. Conversely, these authors show that those who consider that there is no just competition in this society have an increased likelihood of advocating for government-based adjustments in redistribution.

A study conducted by Smyth et al. (2010) contextualized this argument in the contemporary Chinese case, and based on the examination of how opinion towards merit and destiny which influence people's favorite ideas for wealth rearrangements, argued that those who think one's fate is beyond personal control are statistically more inclined to support wealth rearrangements.

People's redistributive preferences may be for a sense of self-sacrifice (Alesina & Fuchs-Schundeln, 2007) or arise from a public values' effect (Corneo & Gruner, 2002). According to the study done by Smyth et al. (2010), one may be more inclined to support redistribution if he/she regards consequences of marketplace as unjust, and accordingly would argue that it is suitable for the people in the form of the state to provide for members in disadvantaged groups. In terms of the wealthy, such beliefs represent their unselfishness, a representation of their perception of the individual responsibility they should take for the

society, or are motivated by a wish to eliminate negative effects on their poor counterparts (Alesina & La Ferrara, 2005; Tóth, 2008). Another idea suggests that seeing deficiency might lead to a undesirable consequences on people's usefulness, and thus the rich sometimes support public guidelines that "make them net losers on the income front but increase their overall utility by reducing observed poverty" (Alesina & La Ferrara, 2005, p.903).

### 3.5 Limitations of Previous Approaches to Chinese Perceived Income Inequality

There are two main restrictions about the previous research on Chinese perceived income inequality related to theoretical and methodological issues.

#### 3.5.1 Theoretical Limitations

The first major conceptual limitation of the literature on Chinese perceived income disparity is the predominance of the social-structural approach. For instance, Martin and Han (2008) notice that social position is seen as a significant factor influencing individuals' perceived income disparity in China. However, the lack of a psychological-cognitive approach lessens the explanatory power of this position. Any single perspective argument about Chinese perceived income disparity reflects some obscurity in improving the theoretical discussion.

Secondly, other factors such as family unit or community characteristics interrelate with perceived income disparity and are given limited attention in social structural analysis. By not placing perceived income disparity in the context of other factors, previous scholars have presumed that perceived income disparity is unrelated with some other potentially vital factors. Accordingly, previous studies are almost universally focused on individual income levels and ignore the character of psychological and cultural factors, although psychological and cultural characteristics may result in important effects on an individual's sense of perceived income disparity.

#### 3.5.2 Methodological Limitations

Accompanying with the theoretical weaknesses in the existing studies, there are also some restrictions on explanatory power arising out of research methods use. First, direct measurement of Chinese perceived income disparity may obscure actual conditions. Direct

measurement by asking about income disparity is too vague and cannot gauge people's perceived income disparity precisely. Perceived income disparity cannot be precisely explained without considering the referencing procedure. Individuals have dissimilar reference processes when they are asked to evaluate income disparity. For instance, some people think that income disparity is too serious when compared with those in the same occupations, while others tend to compare themselves with others in different occupations. In addition, some people consider that income disparity is too serious in the present condition when compared with past conditions. Therefore, much of the controversy has to do with the straightforward question of how to gauge the individuals' perceived income disparity.

Secondly, the current literature on perceived income disparity gives insufficient consideration to the complication of assessing perceived process and results. Much of the earlier research has depended on simple regression (Martin, 2009; 2010; Martin & Han, 2008). While studies recording regressions are statistically useful, they can be confusing due to the likelihood that detected perceived income disparity changes in different groups might be confounded by additional influences that are linked to perceived income disparity and different groups together. Therefore, it is important to use more sophisticated statistical tools, such as multivariable analysis control factors, which mediate the observed connection between perceived income disparity and different social groups.

### 3.6 Theoretical Framework

As discussed in the chapter introduction, this research attempts to offer a theoretical understanding of underlying mechanisms accounting for links between various socioeconomic status (SES) dimensions and perceived income inequality in order to observe whether there is a polarization between different social groups.

The correlation among socioeconomic status (SES) and perceived income inequality refers to the key concept of legitimacy. Legitimacy is “a value whereby something or someone is recognized and accepted as right and proper” (Sternberger, 1968, p.244). However, Weber claimed that people may not always hold similar principles, values, and viewpoints (1978).

In the Weberian perspective, legitimation is recognized as a conforming social order among

the people who enjoy the benefits of a series of shared values, beliefs, and standpoints, according to Ridgeway and Berger's (1986) statement. They suggest that a sole value, belief or norm is not completely accepted by all members in a society; rather some sub-values or beliefs are shared among special social groups in the Webertian perspective. In other words, the scope of a value or belief may not be covered in the whole society but is more likely located in a community (Zelditch, 2001).

Therefore, legitimation is a process of accepting a certain order among people, but the different social groups may have dissimilar types of legitimation. In this research, I employ socioeconomic status (SES) as a core conception. It is necessary to review several types of measurements of SES in order to explore the connection between SES and perceived income inequality. There are several main measures including the Duncan socioeconomic index, the Kuppuswamy measurement, the Tiwari measurement, and the Oakesa measurement (Ma & Zhang, 2011).

Based on various types of job-related reputation scores, and average earnings and schooling levels for these occupations, Duncan (1961) established a regression equation to calculate a socioeconomic index, which is also known as SEI. SEI is applied to calculate various countries' occupational structures in order to enable some comparative studies. The Kuppuswamy measurement is implemented in community research, and identifies seven levels for the respondents' education, income, and occupation (Mishra & Singh, 2003). This measurement may be inaccurate for income inflation (Ma & Zhang, 2011). In order to overcome the limitation of the Kuppuswamy measurement, Tiwari et al. (2005) introduced several indicators such as housing, land, and social participation to create a new ten-scale model. Oakesa developed a CAPSES model based on the conception of capital, which integrates human capital, social capital, and material capital into an equation (2003) that assesses perspectival influences. However, the vagueness of the conception of social capital influences the accuracy of SES (Ma & Zhang, 2011). Using the measurement of SES as a scale, this research tries to adopt all three signs of earnings, schooling, and profession independently in order to observe more clearly the differences emerging among social groups.

When formulating a theoretical perspective for studying perceived income inequality, diverse

theoretical approaches provide a useful prototype. Previous studies face the difficulty of endogeneity, as I am not able to disentangle the route of causality in the SES-perceived income inequality association. That is to say, SES could affect perceived earnings disparity, or both perceived earnings disparity and SES could be caused by unobserved factors; this study tries to overcome this limitation to develop a theoretical model as outlined in Figure 3.1.

Through social cognition and internalization of the real world, people with different SES, who are embedded in a social structural context and are influenced by culture and ideology, perceive income disparity differently.

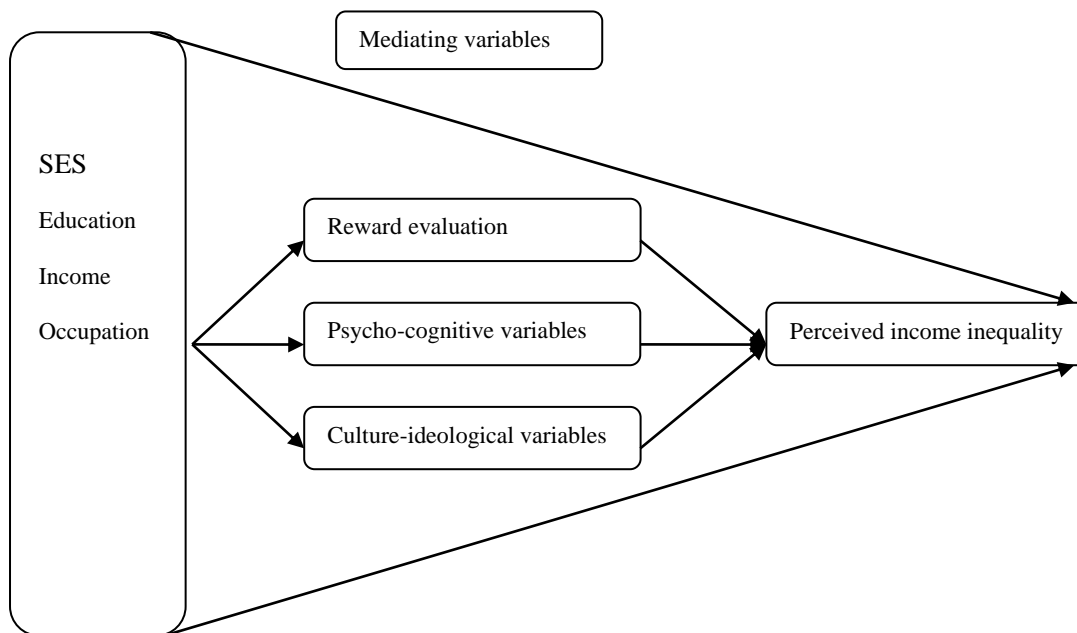


Figure 3.1: Theoretical framework

Figure 3.1 presents the basic theoretical framework for this study. Using this framework, this research model can recognize underlying associations between perceived income inequality and SES, as they affect perceived income inequality. In other words, social conditions are essential causes of perceived income inequality, with changeable manifest mechanisms (through which SES affects perceived income inequality).

It is necessary that a new theoretical frame be created. By reviewing the debates about Chinese perceived income inequality, one would notice that over the past ten years, a rough

impression has emerged that the average person has turned out to be increasingly dissatisfied with increasing income inequality and social injustice (Martin, 2009). For example, researchers hold faith that the key cause for the growth is the rising public dissatisfaction with social inequality (Chung, Lai, & Xia, 2006, Martin, 2009). These results led some analysts to believe that China is becoming a social volcano, that the public's unhappiness with social inequality and injustice is an accumulation of discontent and could become a threat to political stability (Martin, 2009).

Those who worry that China is becoming a social volcano believe that those most affected are those in the most miserable conditions, while middle and upper classes in metropolitan areas are content with the status quo (Martin, 2009). Due to urban migration and lower levels of education, residents of inland provinces and other marginalized groups are considered to be dissatisfied with existing social inequality (Martin, 2009).

Angry feelings about social inequality, including income inequality, may contribute to the rise of civil society through the processes of the economic reform. This view shows that China's economic reform arouses people's awareness of economical and political rights; the slow pace of economic and political transformation simply cannot cope with the rate of change. Hence, when China's distribution is seriously unequal, people would be angry about this situation.

However, some scholars have discovered that the Chinese are not as angry as the public's impression (Martin and Han, 2008; Martin, 2009; Xie, 2010). This may emphasize the importance of culture for enduring increasing income inequality. It can cite the traditional cultural conceptions of "the poor people" (*Xiao lao bai xing*), who can supposedly tolerate serious, unfair treatment. This point that the Chinese accept income disparity is supported by other comparative research informed by the Gini coefficient, which is applied to describe the extent of income disparity in many states in the research of Wu (2009). The International Social Survey Program (ISSP) and the China General Social Survey (CGSS) includes two items: "what individuals actually earn" and "what they ethically earn", which provides a special method to calculate perceived reward justice. Wu (2009) estimated that the ratio of fairness index in China is 0.86, which is ranked the second highest after the Philippines (0.97). Then he points out that the amazing contrasts show that the Chinese have a higher inclination

to believe that income disparity is fair than respondents in other countries, even though actual disparity has been very high in China.

What is the real situation regarding Chinese perceived income inequality? Although the above arguments have their strengths, a number of facts put these arguments in question. None of these traditions, surprisingly, has drawn much consideration to the differences across social groups. That is to say, both of them focus on the mean of Chinese perceived income inequality but not the variance of perceived income inequality.

Xie (2007, p.144) observes that variance, not simply identifying means, is the essence of social science research:

Focusing his social physics on the “average man”, Quételet was attracted to the idea that averages in a population or subpopulation seem to be stable and predictable, despite the apparent large variations and uncertainties in individuals’ behaviors...in population thinking, deviations are the reality of substantive importance; the mean is just one property of a population. Variance is another, equally important, property.

Earlier examinations have been based on conclusions from the average perceptions identified among whole populations. This form of supposition ignores the fact that experiences and understandings of income inequality vary with socioeconomic status as well as psychological and cultural factors. In addition, China’s unequal distribution of economic resources, which takes the form of income inequality among Chinese citizens, has varied depending on both spatial and temporal dimensions (Xie & Hannum, 1996). Thus, it is necessary to take into account social groups’ perspectives in any theoretical framework that seeks to analyze perceived income inequality among the Chinese.



## CHAPTER FOUR: METHODOLOGY

This research will employ integrative analysis including both qualitative and quantitative analysis. The qualitative analysis can offer detailed information as a complement to the quantitative analysis.

### 4.1 Qualitative Analysis

Interviews are employed to complement the quantitative data, which cannot differentiate between individuals' lifespan experiences, more detailed social cognition and internalization. The interview focuses on people's norms, values and understandings of earnings disparities. The questions center on the respondents' own perceived earnings disparity based on their life experience, life course, family, and community features. These could all be influenced by social cognition, internalization, and how the image of income disparity in mass media influences the individuals' perceived sense of income disparity. I conducted interviews with ten respondents of different genders, cohorts and socioeconomic status (SES) groups in Beijing and Gansu Province. Participants were selected to offer varied regional perspectives; Beijing is the capital city and one of the most developed areas, while Gansu Province lies in the northwest of China and is one of the poorest districts.

### 4.2 Quantitative Analysis

This analysis will employ data accrued in the China General Social Survey (CGSS), an annual survey of a nationwide typical sample of inhabitants more than 18 years of age in both rural and urban China. The survey covers all Chinese provinces except for Tibet (Wu, 2009). Wu (2009, p.1039-1040) gives a description of the 2005 CGSS:

It uses a multi-stage stratified random sampling method. First, 125 principal sampling units are selected from 2,798 counties or county-level districts, stratified by regional, rural and urban populations, as well as by educational levels. Then four second-level sampling units are selected in each principal unit, then two third-level sampling units are selected in each second-level unit, and finally, ten households are selected in each selected third-level unit. One eligible person is randomly selected from each sampled household to serve as the survey respondent.

In total, 10,372 completed interviews are included in the sample: 6,098 from urban areas and 4,274 from rural areas.

### 4.3 Measurements

Table 4.1 Measuring occupations' income disparity (2005 China General Social Survey)

Questionnaire Item (the questions are from 2005 China General Social Survey)	How much do you consider people in these professions actually earn? Please estimate how much you think they usually earn each year?	How much do you consider people in these professions ought to be paid -- how much do you consider they should earn each year?
Occupations	Do earn (actual income)	Should earn (just income)
Ordinary Occupations		
Peasant	_____	_____
Worker	_____	_____
Migrant worker	_____	_____
Elite Occupations		
Cabinet minister	_____	_____
Manager of a large factory	_____	_____
Professor	_____	_____

The interviewers were first requested to calculate approximately how much respondents consider to be actual earnings for several different occupations' salary. Next the respondents were required to estimate what would constitute reasonable earnings for people in these occupations. In the 2005 CGSS, respondents were asked to estimate the actual ("do earn") and ethical ("should earn") earnings of six occupations: peasant, worker, migrant-worker, cabinet minister, manager of a large factory and professor; next the respondents guessed reasonable salaries for people in these occupations.

Osberg and Smeeding (2006) show that the advantage of this question is that attitudes about what exact careers should earn could be influenced by the circumstance of what people think are their real earnings, which means that mistakes in guessing real earnings are taken into account. In addition, they point out that these inquiries can be obviously limited to differences in the income of precise careers to avoid confounding subjects such as household size, income sources, tax rates or welfare transfers.

Two categories are differentiated: "elite" and "ordinary" occupations. The elite category

includes jobs such as cabinet minister, manager of a large factory, and professor, while ordinary occupations include peasant, worker, and migrant-worker. Because those six occupations have different populations, the sample should be weighted by occupation.

For instance, according to some documents from the Chinese central government and the National Bureau of Statistics of China in 2005 and their websites, estimates of the approximate number of people in the six selected professions are provided. In 2005, the central Chinese government had 75 ministers, 34 provincial secretaries of the Communist Party committee, and 34 provincial governors, so the number of cabinet's ministers was 143; the number of large factories was approximately 2300, so the number of managers of large factories would be around 2300; the number of professors was approximately 87,000; the number of migrant workers was approximately 185,400,000; the number of workers was approximately 246,600,000; and the number of peasants was approximately 925,100,000 (China Statistical Yearbook, 2005).

Table 4.2 Estimated Number of employees in six occupations

Occupation	Number
Peasant	925,100,000
Worker	246,687,000
Migrant worker	185,400,000
Cabinet minister	143
Manager of a large factory	2,300
Professor	87,000

Four indices have been constructed using the following two-step procedures. The first fairness measure (hereafter known as Indicator 1a) is based on the average income. In the first step, the ratio of the average earnings in the elite occupations to the average earnings in the ordinary occupation has been calculated to measure the level of income disparity.

$$\text{Income disparity} = \frac{\text{average income of the elite occupations}}{\text{average income of the ordinary occupations}} \quad (4.1)$$

This is measured separately for the “do earn” and “should earn” income data (Osberg & Smeeding, 2006). In the second step, Indicator 1a is derived by taking the ratio of measured

income disparity in “should earn” to the measured income disparity in “do earn”.

.....Fairness Indicator 1a = “should earn” income disparity / “do earn” income disparity..... (4.2)

For example, an income disparity value of 4 for the “do earn” data implies that the income in the elite occupation is four times higher than the income in the ordinary occupation. Similarly, an earnings disparity value of 3 in “should earn” statistics implies that the earnings in the elite profession should be three times more than the earnings in the ordinary profession.

Indicator 1a =  $\frac{3}{4} = 0.75$ ; this implies that the acceptable income disparity is 75% of the existing income disparity. A value of 1 implies that the existing income disparity is fair, while a lower value implies increasingly unfair income disparity.

The second fairness measure (hereafter known as Indicator 1b) is calculated using the same procedure, but the average income has been replaced by the “weighted average income”, where assigned weights are the proportion of workers employed in an occupation.

Table 4.3 Percentage of population

Occupation	Number	% of population
Peasant	925,100,000	68%
Migrant worker	185,400,000	13%
Worker	246,687,000	18%
Professor	87,000	0.01%
Manager of a large factory	2,300	0.00001%
Cabinet minister	143	0.0000001%
Total		100%

The third fairness indicator (Indicator 2a), is based on Gini, and assumes an equal employment shares. In the first step, two Gini coefficients have been estimated for the “do earn” data and “should earn” data separately, assuming an equal employment share in all six occupations. In the second step, Indicator 2a is derived by taking the ratio of “should earn” Gini to the “do earn” Gini.

.....Fairness Indicator 2a = “should earn” Gini / “do earn” Gini..... (4.3)

Indicator 2a has the standard interpretation: a value of 1 implies that the existing income inequality is fair while a lower value indicates unfairness.

The last indicator (Indicator 2b) is based on Gini with actual employment share, and is used in the same procedure as in indicator 2a but the equal employment share numbers have been replaced by the actual proportion of employment in an occupation. Therefore I can summarize the four indicators in the following table:

Table 4.4 Indicators of perceived income inequality

“Should earn” income disparity / “do earn” income disparity	1a	Simple average based measurement of just/perceived income disparity
	1b	Weighted average based measurement of just/perceived income disparity
“Should earn” Gini / “do earn” Gini	2a	Assuming equal employment distribution
	2b	Actual distribution of employment

#### 4.4 Mediating variables

Table 4.5 Reward evaluations

Questionnaire Item	What do you usually earn each year?	How much do you think you should be paid according to your capacity each year?
	Do earn (actual income)	Should earn (just income)
Respondent	—	—

I adopted the Jasso index (1999), which is listed as following:

.....J = Ln (“do earn” / “should earn”)..... (4.4)

When a person is deemed to be over-rewarded, perceived self-income disparity is more than 0; when the pay is fair, the result is 0; and when the individual is less rewarded than is fair, the result is a negative number. The Jasso index will be adapted to analyze the reward evaluation in Chapter 6.

The ‘development idealism’ variable includes two questions: the first comes from the item “if you believe that high-income inequality is the necessary result of high economic development”. This variable uses a five-point scale. The replies “neither agree nor disagree”, “disagree” and “strongly disagree” are recorded as 0 while “agree strongly” and “agree” are recoded as 1. <sup>1</sup>The development idealism variable will be adapted to analyze the reward evaluation in Chapter 7.

The second development idealism variable comes from the item, “The phenomenon that some people have earned much money while the others have not is fair.” There are six categories, including “strongly agree =1, agree=2, neither agree nor disagree=3, disagree=4, strongly disagree=5, and unavailable”. <sup>2</sup>

A performance legitimacy variable may ask the question “Do you agree that people can receive income inequality on the condition of the government’s good economic performance?” Those who have answered “yes” are seen as being accepting of performance legitimacy, whereas those who answered “no” are considered to be resisting performance legitimacy. For purposes of elucidation, I modify the item into a dummy variable denoting no=0 and yes=1. I employ this measurement to analyze the common people’s view about performance legitimacy in Chapter 8.

#### 4.5 Measure of Redistributive Preference

The China General Social Survey (CGSS) contains a question of “Do you agree that the government should tax the rich more to help the poor?” For the 2005 CGSS, there are four items to this question with “strongly disagree”, “disagree”, “agree”, and “strongly agree”. They will be recorded into a dummy variable with agree (agree and strongly agree) = 1 and disagree (strongly disagree and disagree) = 0. <sup>3</sup>

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<sup>1</sup> This recode method may be the same as other scholars’ recode approach in some questionnaires designed using by Likert scale, which is convenient to do some comparison.

<sup>2</sup> This recode method follows some other approach dealing with Likert scale.

<sup>3</sup> This recode approach could be similar as some other scholars’ recode approach in other questionnaires implemented by Likert scale.

## 4.6 Analytic Strategy

The analytic strategies that were applied in this research are multiple classification analysis (MCA) and structured equation modeling (SEM).

### 4.6.1 Multiple Classification Analysis (MCA)

In 1973, Andrews et al. (1973) introduced multiple classification analysis (MCA) to examine social science research. It is different from the multiple linear regression; Li and Dong (2007, p.74) point out that:

For each interval-level variable in the equation, this approach calculates the un-standardized multiple regression coefficient; for categorical-level variables, it produces a regression coefficient for each category and expresses it as a deviation from the grand mean of the dependent variable.

### 4.6.2 Structural Equation Modeling (SEM)

With the purpose to overcome some limitations of linear regression, structural equation modeling (SEM) is applied. One disadvantage of SEM involves exploring the latent variables (Goldberger, 1972). Therefore, it is suitable to analyze perceived income disparity by applying SEM considering the complexity of observing the process and outcomes of perceived income disparity.

This research will develop a general theoretical model in which perceived income inequality explicitly mediates the effects of psychological and cultural factors on individuals' emotional responses to the conditions they are asked to evaluate. At the center of the model are distinct constructs that make up the justice evaluation process.

It is supposed that people's socioeconomic status (SES) is associating with their perception of income disparity. First, people's socioeconomic status (SES) influences their perception of income disparity directly. Second, the SES is connected with perceptions of income disparity indirectly. That is to say, people's psychological-cognitive factors and ideological-cultural factors play mediating roles in determining SES's effect on perception of income disparity.

As shown in Figure 4.1, it is supposed that the individuals' psychological-cognitive and ideological-culture characteristics mediate the effect of perceived earnings disparities. Furthermore, the hypotheses presented below are assessed by using a structural equation model based on the theoretical model recorded.

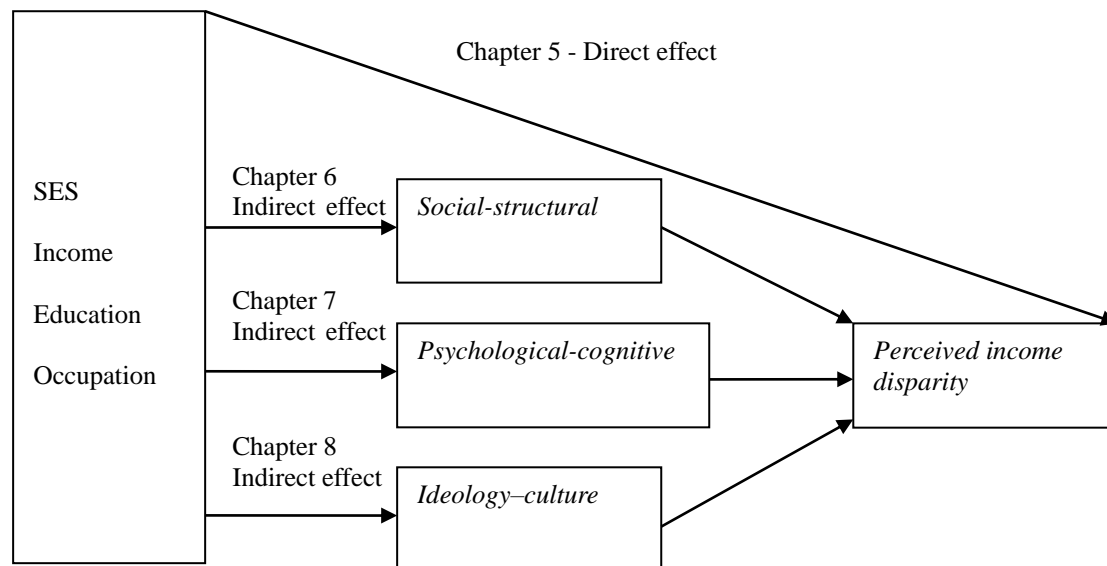


Figure 4.1 SEM on perceived income disparity

Following this logic, Chapter 5 tests the direct effect between SES and perceived income inequality. Chapter 6, 7, and 8 observe the indirect effect, respectively. Chapter 9 combines potential and direct effects to comprehensively test the association between SES and perceived earnings disparity.



## CHAPTER FIVE: SOCIOECONOMIC STATUS (SES)-PERCIEVED INCOME INEQUALITY: DIRECT ASSOCIATION

As I have shown in the structural equation model in Chapter 4, the first step in considering perceived income disparities in China is to analyze the direct association between socioeconomic status (SES) and perceived income inequality. Therefore, the main goal of Chapter 5 was to explore the detailed connections between SES and perceived income inequality, and to propose additional variables. A more concrete trend of perceived income inequality will be discussed in this chapter: whether the gap of perceived income inequality between those with high SES and those with low SES increases or decreases with growth of actual income inequality.

### 5.1 The Relationship between Perceived Income Inequality and Actual Income Inequality Varying with Socioeconomic Status (SES)

Socioeconomic status (SES) is an essential conception to be used in predicting the outcomes across several fields including medical access, public health and psychological issues. For instance, Lowry and Xie adapt SES to analyze the outcome of health condition and how old people's self-health analysis varies with age (2009). Enlightened by these studies, I will explore the association between perceived earnings inequality and actual earnings inequality, varying with SES.

There are two operations to deal with the conception of SES. One measurement is to calculate the socioeconomic index (SEI) by combining earnings, schooling, and profession; the other measurement is to explore the outcomes of the predicted variation including earnings, schooling, and profession separately (Ma & Zhang, 2011). Lowry and Xie (2009) set up two suppositions about the connection between SES and self-health analysis, including convergence and divergence suppositions.

In this chapter, I develop two assumptions from these two hypotheses building on previous work by Lowry and Xie (2009). The assumption of convergence is that the difference of

perceived earnings disparity between people with high SES and those with low SES decreases with increasing earnings disparity in reality. The assumption of divergence is that the difference of perceived earnings disparity between people with high SES and those with low SES increases with growing earnings disparity in reality (See Figure 5.1).

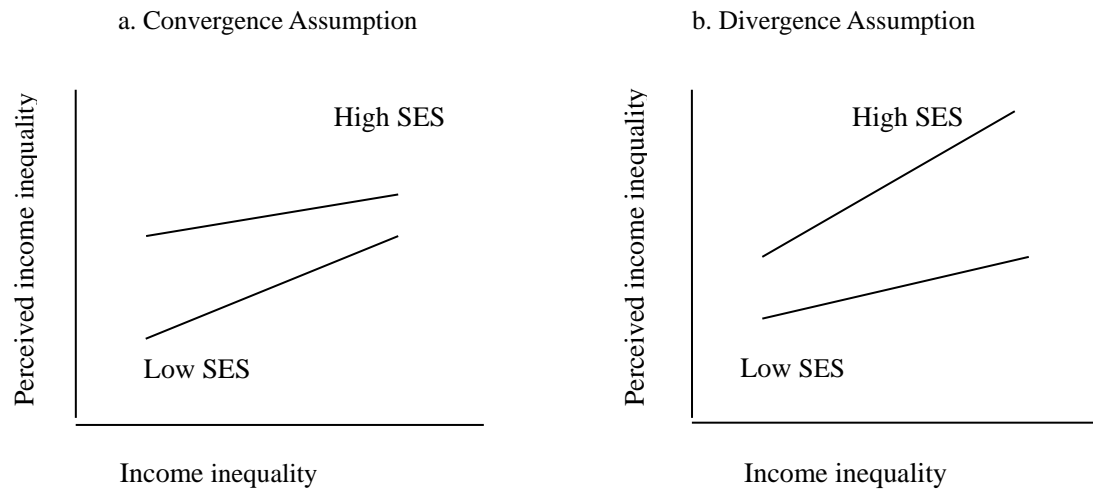


Figure 5.1 Assumption of associations between socioeconomic status (SES) and perceived income inequality

## 5.2 Results

Multiple classification analysis is used in this chapter. Descriptive results and regression results are listed in the following sections separately.

### 5.2.1 Descriptive Results

The basic descriptive information is illustrated in Table 5.1, including both the percentage and mean of the independent variables, and the result in predicting the dependent variable for the independent variables.

Table 5.1 Perceived income inequality index by explanatory factors

<i>Variable</i>	<i>Number distribution(N)</i>	<i>Percentage distribution (%)</i>
Education Level		
No education	1164	11.2
Primary school	2699	26.0
Primary high school	3091	29.8
Senior high school	2378	22.9
University	1039	10.0
Income quintile		
1 <sup>st</sup> quintile	2640	27.2
2 <sup>nd</sup> quintile	1491	15.4
3 <sup>rd</sup> quintile	1835	18.9
4 <sup>th</sup> quintile	1965	20.3
5 <sup>th</sup> quintile	1771	18.3
Occupation		
Peasant	4243	40.9
Others	84	0.8
Leader/manager	643	6.2
White collar	1532	14.8
Blue collar	3870	37.3
Age	48	48
Gender		
Male	4919	47.4
Female	5453	52.6
Household Registration		
Urban	6098	58.8
Rural	4274	41.2
Marital Status		
Never married	976	9.4
Married/ remarried	9394	91.6
Income Inequality(Gini coefficient)		
0.33-0.36	2168	20.9
0.37-0.41	1275	12.3
0.42-0.46	3426	33.0
0.47-0.51	977	9.4
0.52-0.56	1134	10.9
0.57-0.61	807	7.8
0.62-0.66	585	5.6

Education is divided as a category variable while income is categorized as quartile in order to explore the differences in perceived income inequality.

Table 5.2 MCA (Multiple Classification Analysis) on perceived income inequality

<i>Variable</i>	<i>Observed Effects</i>	<i>F test</i>	<i>Adjusted Effects</i>	<i>F test</i>
				4.019***
Education Level		2.907*		2.132
No education	0.7616		0.7813	
Primary school	0.7907		0.8100	
Primary high school	0.7772		0.7796	
Senior high school	0.7254		0.7227	
University	0.7885		0.7702	
Income quintile		2.366*		0.144
1 <sup>st</sup> quintile	0.7420		0.7542	
2 <sup>nd</sup> quintile	0.7692		0.7805	
3 <sup>rd</sup> quintile	0.7640		0.7723	
4 <sup>th</sup> quintile	0.7536		0.7620	
5 <sup>th</sup> quintile	0.7741		0.7559	
Occupation		2.409		3.091*
Peasant	0.7953		0.7953	
Others	0.9708		0.9473	
Leader/manager	0.8063		0.7874	
White collar	0.7890		0.7980	
Blue collar	0.7428		0.7425	
Age	0.820	1.628	0.138	0.422
Gender		3.664		1.654
Male	0.7716		0.7759	
Female	0.7540		0.7493	
Household Registration		6.554*		0.696
Urban	0.7590		0.7599	
Rural	0.7953		0.7887	
Marital Status		0.179		0.390
Never married	0.7625		0.7655	
Married/ remarried	0.7685		0.7424	
Income Inequality (Gini coefficient)		9.295***		9.620***
0.32-0.36	.6707		0.6786	
0.37-0.41	.6991		0.6869	
0.42-0.46	.7631		0.7554	
0.47-0.51	.8673		0.8609	
0.52-0.56	.9068		0.8992	
0.57-0.61	.8178		0.8377	
0.62-0.66	.8049		0.8094	

### 5.2.2 MCA Results

Table 5.2 displays the mean of the perceived income inequality index. From largest to smallest, the mean index of perceived income inequality is as follows: no education (0.7616), primary school (0.7907), primary high school (0.7772), senior high school (0.7254), and college (0.7885). The results show that people with the education level of primary school have the highest mean of perceived income inequality index while those with senior high school have the lowest level.

Table 5.2 also displays the mean values of perceived income inequality for all income levels. It shows that those in the 5th income quintile have a higher score than those in the other income quintiles, which implies that those with the highest income have higher levels of perceived income inequality index.

Table 5.2 demonstrates the effect of occupation on the value of perceived income inequality. From smallest to largest, the results are as follows: other occupations have a higher level of perceived income inequality index; leaders/managers have second highest levels of perceived income inequality index. Those who are peasants have marginally higher levels of perceived income inequality index. Those who are white collar workers have a slightly higher score on perceived income inequality. The blue collar workers have the lowest perceived income inequality index, which means they are the most unsatisfied group for perceived income inequality among these occupations.

Age is not significant with the perceived income inequality index. Gender and marriage status are also unrelated with people's perceived income inequality. Household registration is significant with people's perceived income inequality. Rural residents have a higher perceived income inequality index, which means that the rural Chinese consider that income inequality is lower than do urbanities. This outcome also supports Martin's research results (2010, p.194).

### 5.2.3 Decomposed Results

In Table 5.2, the third columns titled "Adjusted Effects" presents the pooled outcome of perceived income inequality after controlling all the predictors.

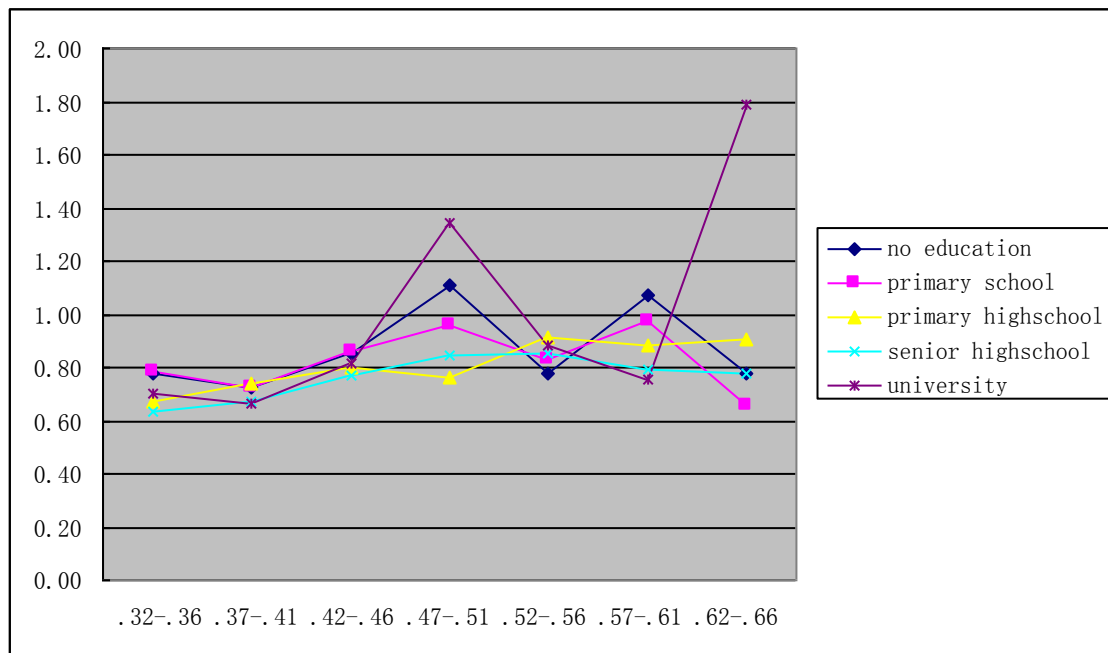


Figure 5.2 Predicted index of perceived income inequality – educational group and different Gini coefficient groups

Figure 5.2 shows the perceived income index by different groups of the Gini coefficient and the variation in the level of education. People with primary school have a lower perceived income index among the groups with the lowest Gini coefficient. Surprisingly, they have less perceived income inequality in the report of the 0.62-0.66 Gini coefficient group than those in the group of Gini coefficient 0.57-0.61. The gap of perceived income index starts to increase at the point of the Gini coefficient 0.475-0.50 group. The perception of income inequality in the education gap Gini coefficient starts at all levels of the schooling divergence 0.47-0.51 group, but it declines in the Gini coefficient 0.52-0.56 group and then reaches the largest gap in the Gini coefficient 0.62-0.66 group.

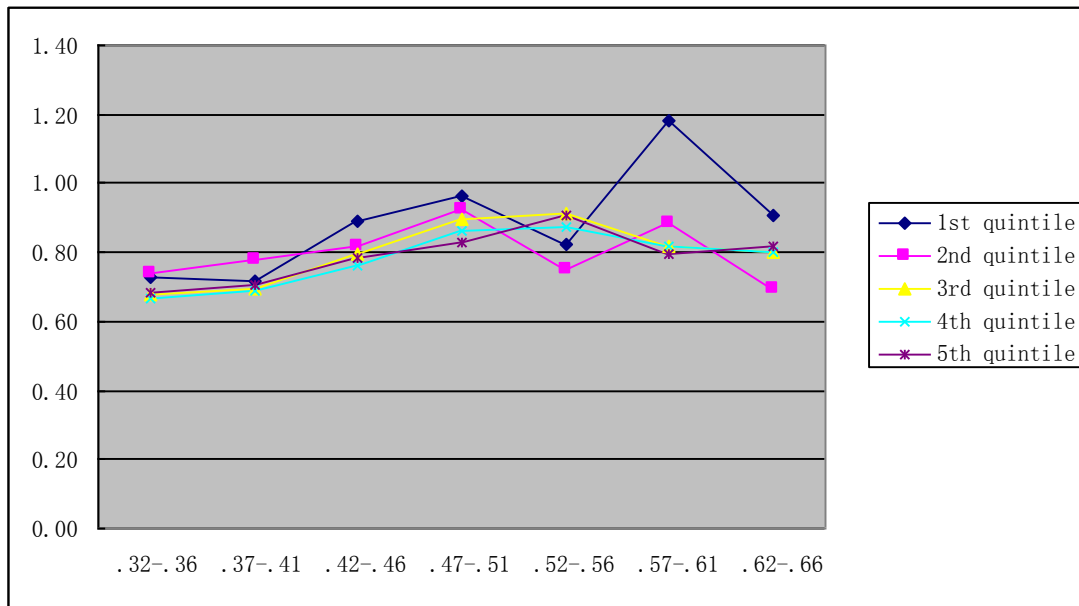


Figure 5.3 Predicted index of perceived income inequality – income group and different Gini coefficient groups

Figure 5.3 shows the predicted index of perceived income inequality by income quartile and income inequality pattern. As is shown, perceived income inequality differentials by income are not great for the low Gini coefficient group, but start to diverge slightly around Gini coefficient group 0.47-0.51. The perceived income inequality index varies much between those in the first income quartile group and those in the fifth income quartile group; although it is expectedly lower for the former than for the latter.

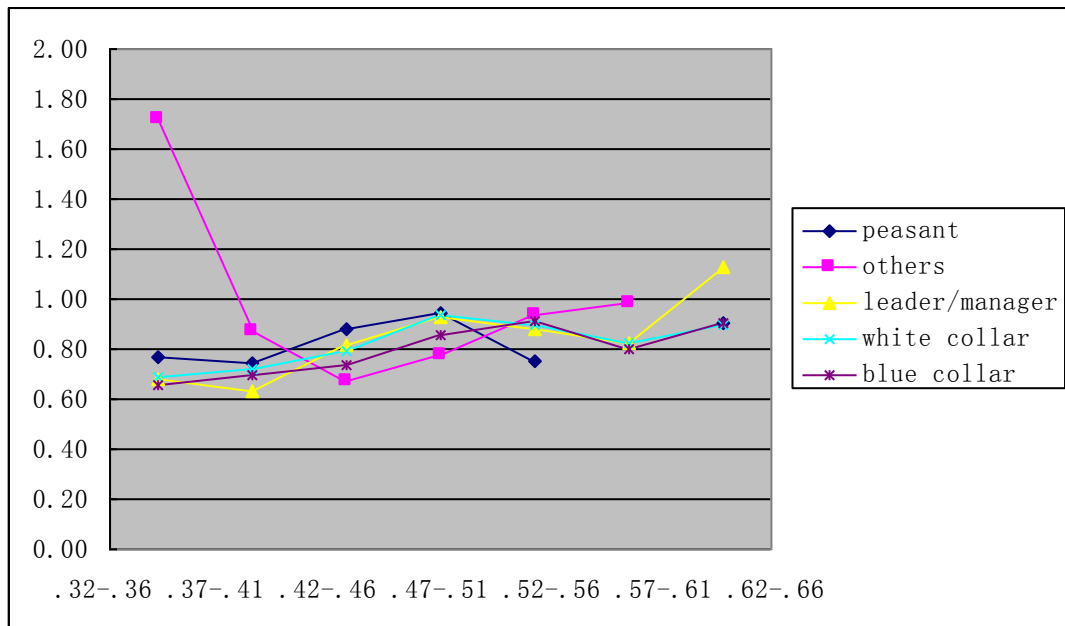


Figure 5.4 Predicted index of perceived income inequality – occupation and different Gini coefficient groups

Figure 5.4 illustrates the perceived income index by different groups of the Gini coefficient and the factor of occupation. In most cases, the leaders/managers have a better perceived income inequality index than other occupations. It is unexpected that peasants would have the highest index of perceived income inequality among Gini coefficient group 0.42-0.46 and group 0.47-0.51. This means that the peasants are more satisfied with the extent of income inequality compared to those in other occupations. On average, people in a blue collar index of perceived income inequality raise the growth of the Gini coefficient while those in white collar jobs began to grow and then decrease in the Gini coefficient 0.47-0.51 group.

### 5.3 Summary

After reviewing the association between income, education, and occupation and perceived income inequality varying with the income inequality in reality separately, I can summarize a short conclusion. It is found that income, education, and occupation are related to perceived income inequality in China. An essential conclusion is that the results support the divergence assumption, which means that the gap of perceived income inequality between people with high socioeconomic status (SES) and people with low SES varies with the growth of the actual income inequality.



Furthermore, the results reject the convergence assumption and have the implication that the gap will not decrease with the increasing extent of inequality among different SES groups. Therefore, it can be seen that the perception and response to the increasing actual income inequality is different between elite and bottom classes. The results are very rough and, simply, a deeper exploration is needed and will be provided in the next several chapters.

In the following chapters, I will investigate structural, psychological and cultural factors, influencing perceived income disparities respectively.

## CHAPTER SIX: JUST REWARD IN THE PROCESS OF MARKET TRANSITION

From my theoretical framework, I assume that reward evaluation has its significance in determining people's legitimacy of income inequality. Based on the existing debate regarding who are the winners – workers of state sectors or those of market sectors in the Chinese economic transition, this chapter tries to show which sector's workers are more likely to legitimize their reward justice: those who are hired in the state segment or those who are hired in the market segment.

F. Wang and T. Wang (2003) show that reform has similarly produced a range of disparities with the pace of the reforms in China. In addition, they point out that the *Danwei* (work unit) is essential for most Chinese people because they are connected with their spatial site, job division, and work organizations. It may be assumed that the *Danwei* (work unit) also takes on a significant factor in determining perceived income inequality in society. Therefore, studying this structural inequality may help reveal the underlying dynamics of the perception of income inequality in China.

It can be seen that the Chinese are not satisfied with current income disparities, especially from their perceived reward justice situation in the process of social and market transition (Martin, 2009). Thus, it is necessary to track intuitional change, especially noting how power and the market influence evaluation of reward justice in contemporary China.

### 6.1 The Expanding of Market and the Transition of the Work Unit

In the processes of China's economic transition, the distribution of benefits has essentially changed, especially with the appearance of market sectors (Zhou, 2000a). Due to the distinction between state and market sectors, there has been a sustained debate regarding which sector's employees are more likely to legitimize their reward justice: those working at the state sectors or those working at the market ones? Based on the controversy over the winners - employees of state sectors (Market Transition Thesis) (Nee, 1989; 1991) or those of market sectors (Redistributive Power Thesis) (Bian & Logan, 1996) in the Chinese economic transition, this chapter proposes two contrasting hypothesis concerning which employees are more likely to legitimize their reward justice, and examines which one is correct. The Jasso index (1999) of the ratio between actual income to just income has been applied to

investigate the self-evaluation of payment justice among employees working in each sector, and to evaluate the differences between them.

Nevertheless, mostly existing studies have focused disproportionately on economic disparities to reply to this issue of who is better off (Bian, 2002; Nee & Matthews, 1996). Few studies have paid attention to the differences in psychological responses – in particular, self-evaluation of reward justice – to explore the answer to this question. In an effort to gauge income disparity, the two measures of actual income and just income were developed by Jasso (1999), and demonstrate the significance of both objective and subjective evaluation of payment fairness in estimating transitional states' economic fairness.

Based on the controversy between the Market Transition Thesis and Redistributive Power Thesis over whether the effect of redistributive power on economic benefits has weakened and whether the influence of rewards to human capital or other economic benefits have amplified (specifically which type of sector can benefit employees more during the Chinese economic reform), two contrasting hypothesis are proposed (Bian & Logan, 1996; Hauser & Xie, 2005; Nee, 1989; 1991; 1996; Parish & Michelson, 1996; as cite in Xie & Hannum, 1996). They look at which sector has workers who are more likely to legitimize their return justice and which one is correct. Following Jasso's (1999) logic, this chapter, in terms of the ratio between actual income and just income, aims to compare the differences in Chinese urbanites' levels of self-evaluation of reward justice between state and market sectors, and to see which sectors' employees have higher self-evaluation of reward justice.

## 6.2 Debate of Market Transition

Two theoretical perspectives offer contrasting accounts of whether the influences of human capital and those of political capital on economic benefits amongst laborers have changed under Chinese economic reform (Bian & Logan, 1996; Hauser & Xie, 2005; Nee, 1989; 1991; 1996; Parish & Michelson, 1996; Xie & Hannum, 1996; as cited in Bian, 2002). They then investigate who is likely to obtain greater rewards to human capital that takes the form of higher levels of economic benefits compared to their state counterparts. The first perspective proposed by Nee is called the Market Transition Thesis (1989; 1991). Nee contends that in the market sectors, the determination of economic benefits is more heavily reliant on

marketplace identifications (i.e., schooling) and less on party-political features, and therefore, under the same conditions, employees in market sectors obtain greater earnings to human capital (i.e., schooling, work experience), namely, higher level of economic benefits, than their state counterparts.

The second perspective or Redistributive Power Thesis offers theoretical reasons and empirical findings with respect to authorized, historical, and cultural characteristics exceptional to the transformation epoch in China and argues in opposition to Nee (Bian & Logan, 1996; Walder, 1996; Xie & Hannum, 1996; Zhou, 2000a; 2000b; as cited in Wu & Xie, 2003). This perspective generally shows that there are no inherent effects for rewards to human or political capital in the shift to a marketplace economy, and consequently, state sector employees still have more economic privileges than their market counterparts do (Bian, 2002; Gerber, 2002; Walder, 1996; Wu & Xie, 2003). Specifically, proponents of this perspective primarily support this conclusion using two lines of argument: on one hand, some of them assume that it is through the market-oriented reform that economic benefits for workers in the state sectors and Party members increase at a greater speed than for other workers (Bian, 2002; Bian & Logan, 1996). Moreover, Xie and Hannum (1996) illustrated that the height of marketization is not positively related in terms of rewards to schooling. In other words, employees working in market sectors will not necessarily become the winners in the economic change from state planning to a market economy.

Based on these two existing theoretical perspectives, two lines of arguments can be developed regarding which sector's employees are more likely to legitimize their reward justice: those working at either state or market sectors. The first argument, in terms of the Market Transition Thesis suggests that those working in market sectors are more likely to legitimize their reward justice than their state counterparts. The second argument is based on the Redistributive Power Thesis, and assumes that employees of market sectors tend to legitimize their reward justice more than those working at state ones do.

In order to examine which side of these two contrasting hypotheses is correct, this chapter employed Jasso's (1999) index of the ratio between actual income and just income to measure employees' feelings of just reward, and to compare differences between those working in state sectors and their market counterparts. Actual income is measured by material-level

factors, including human capital (educational attainment, work experience) and political capital (Party membership), whereas just income is measured by psychological-level factors (self-evaluation and self-perception). The detailed discussion of each set of factors follows.

Many researchers have noticed the significance of separation of labor markets under the symbols of different departments, divisions, and industries (Bian & Logan, 1996; Nee & Cao, 1999; Parish et al., 1995; Walder, 1992; Zhou, 2000a; Zhou, Tuma, & Moen, 1997; Zang, 2002; as cited in Wu, 2002). The application of these terms has originated from Labor Market Segmentation Theory (Zang, 2002), which, in terms of the distinction between core and peripheral sectors, implicitly points to how the allocation of resources, in particular, the sectoral differentials in salaries, is affected by labor market structures.

Zang shows that the distinction between these two sectors, which developed from this theory, has also provided the underpinnings for research on differences by economic sectors in both pre-reform and post-reform urban China (2002). He also point out that prior to economic reforms, the state sectors primarily dominated the state economy and their workers enjoyed higher earning over others working in collective and private sectors (who were at the bottom of the income hierarchy). The development of a market or non-government-regulated economy and the government-regulated sectors has declined in China with the open policy and restructurings initiated in 1978 (Cao and Nee, 2000; Nee, 1989; 1991; Zhou, 2000a; Wu, 2002). Consequently, the emerging private departments have to be an optional supplier of capital and opportunities compared to other state sectors (Wu, 2002; Xie & Wu, 2008), and privileges previously enjoyed by state sectors employees have been challenged.

As far as the differences between these two sectors in the reform period in China, some studies have consistently focused on the economic benefits which have been clearly separated by economic sectors (Zang, 2002). Some researchers demonstrate the unique arrangements of sectoral differences in resource distribution as the preliminary idea informing their research (Nee & Cao, 1999; Parish et al., 1995; Zhou, 2000a; Zang, 2002; Heyns, 2005). In particular, some of them have attempted to discover best earning origins in the transformation period (Bian & Logan, 1996; Nee & Cao, 1999; Parish et al., 1995; Walder, 1992; Zang, 2002; Zhou, 2000a; Xie et. al., 2009).

Although employees in rising private sectors and those in state departments have experienced varied conditions with respect to different aspects (i.e., economic benefits and job stability), they have been assumed to benefit respectively more from the transition to market intuition (Yu, 2008). Some authors held that newly emerged private sectors are more likely than the traditional state sectors to supply employees with high incomes, albeit with fewer fringe benefits (Shu & Bian, 2003; Tang & Parish, 2000). As Zhou (2000a) argued, private firm employment is related to the greatest improvements in earnings in China's shift to a market oriented economy. Other authors have held that since the majority of state sectors have been consistently offering the most comprehensive benefits and services, such as medical care, pensions, housing or housing subsidies (Lin & Bian, 1991; Logan & Bian, 1996), employees in state sectors "suffer comparatively little from the reduction of social protection due to reform" (Yu, 2008, p.366).

The controversy between these two sides as to who gains economically from the transition to the market economy have dealt with the differences in income returns to individual characteristics of workers in the private and state sectors in urban China (Zang, 2002). These individual characteristics primarily lean towards human and political capital. Since the state and private sectors represent two different principles of appropriation, they therefore value political and human capital in different ways.

Nee (1989) first argues that human capital is an important characteristic influencing an individual's earning power in that issues of making are to be paid by the market system's reliance on competition. In his relevant studies, education was seen as a primary factor of human capital acquisition contributing to improved income in the marketplace economy, since rewards to human capital in markets are found to be higher than those in a state-dominated planned economy (Cao & Nee, 2000; Bian, 2002). A great many scholars have shared a similar ground with his assumptions on human capital (Bian & Logan, 1996; Gerber & Hout, 1998; Raymo & Xie, 2000; Zhou, 2000a). Others, Zhou (2000a) and Wu (2002), for example, assume that no adequate academic examination has yet been organized to confirm that payment related to schooling in marketplaces is higher than in the traditional government controlled sectors in urban China.

Work experience, Nee's second factor of human capital, is often measured by priority (Peng,

1992; Nee, 1996; Raymo & Xie, 2000; Walder, 1995; Xie & Hannum, 1996). When it comes to its contribution to earnings, Davis-Friedmann (1985) and Davis (1988; 1990) found that state sectors have generated “a reward system that favors the cohorts already in the labor structure and reduces competition among members of different generations” (Bian, 1994, p.82). In this sense, since market sectors do not have any existing mechanism that rewards seniority, they do not value work experience as much as the state sectors. However, other authors held that work experience contributes more to an individual’s earnings in the private sectors than in the state sectors (Zang, 2002).

As far as the effect of political capital on earnings goes, many authors (Nee, 1989; 1991; Cao & Nee, 2000; as cited in Bian) assert that although any trajectory to a market-oriented economy will sustain a strong bureaucratic component, the transition to a market economy has resulted in a weakening in the value of worthy and other kinds of political capital (i.e., Party membership). Conversely, there has been a consensus among some authors that the value of political capital has been maintained or even increased.

Rona-Tas (1994) pointed to the ongoing properties of party-political capital on income due to either party-political worthy interception or perseverance. Others (Bian & Logan, 1996; Raymo & Xie, 2000; Zhou, 2000a; Wu, 2002) predicted non-affirmative reward to party-political capital in the market transition in China. In other words, individuals with membership in the Communist Party would attain better monetary rewards in transformation period in China (Bian, 2002; Tang & Parish, 2000). In addition, in urban China, the ownership of state authority is seen as assisting defense of entry to a range of external Capital (Walder, 2003).

Clearly, many researches on the market transition in China focus on the sectoral prototypical expectations of earnings determination in urban areas. Despite debate regarding the gap in income rewards to personal features in the market and state sectors for the urban Chinese employee (i.e., human capital, political capital), a core notion underlying these studies is that payments ought to be relative to savings and offerings (Kerbo, 2006; Zang, 2002). A method of creating justice is to approve better payments for those who make a greater contribution (Kerbo, 2006). Some Western investigations (Alves & Rossi, 1978; Jasso & Rossi, 1977), by showing some consistency in the judgments among the participants on the

justice of income arrangements, implicitly demonstrate this argument. Evidence from these studies suggests that norms of distribution fairness indeed exist, and there are some agreements among people with respect to these norms (Younts & Mueller, 2001). Despite widespread agreement, there is diversity among them in applying the justice norms (Kerbo, 2006), therefore people's feelings of just reward are not dependent upon material factors alone, such as educational attainment, work experience, and Party membership, but can also be explained by an individuals' socio-psychological mechanisms.

In the context of micro psychology, the fundamental notion discussed above that "attributing the high rewards of a position to its functional importance to society" (Charles, 2001, p.306) can be interpreted by the theory of legitimation presented by Fave (1980) and Stolte (1983). In their model, these scholars explained how self-evaluations and the ideology of equality of opportunity condition people's feelings of reward justice.

Mau states that individual's views are comparatively dependable on the system of allocation in a context in which they are embedded; because their opinions reveal the condition of the reality they occupy (1997). According to the existing controversy between the Market Transition Thesis and Redistributive Power Thesis on whether or not employees of state sectors or market sectors have economically benefited more from the shift to market (Bian & Logan, 1996; Hauser & Xie, 2005; Nee, 1989; 1991; 1996; Parish & Michelson, 1996; Xie & Hannum, 1996; Wu, 2002; Zang, 2002), two psychological arguments can be developed. One is that state-sector employees are expected to feel more content with their economic benefits than their market counterparts; the other is that market-sector employees are thought to be more satisfied with their own economic benefits than those working in state sectors.

So far, I have already offered a comparatively detailed theoretical review of existing studies on two sets of components (material-level indicators including human capital and political capital, and psychological-level indicators containing self-evaluation and self-perception in Jasso's (1999) Justice Evaluation Function).

This chapter uses two kinds of statistical tools to explore the question, including multiple classification analysis and multiple linear analyses.



First, since the focus of this chapter is to compare the index of reward justice among employees working in state sectors and those in market sectors, the multiple classification analysis is used (Andrews et al., 1973), which is often applied to analyze the differences among comparative groups. The statistical model can be demonstrated as follows:

$$\dots\dots\dots Y_j = a + B (b_{ij}, d_{ij}, f_{ij}, e_{ij}) \dots\dots\dots (6.1)$$

Where  $Y_j$  is the score of a just index of people  $j$ ,  $a$  is  $Y_j$ 's grand or pure mean, and  $B$  is the coefficient.  $b_{ij}$  is a two distinguished variables where  $i$  changes from 1 to 2, assessing people in the two groups (employees working in state sectors and those in market sectors).  $d_{ij}$  measures control variables that include age, gender, marital status, and income.  $f_{ij}$  represents material factors influencing the employees' feelings of reward justice, including human capital (i.e., schooling attainment, work experience) and political capital (i.e., membership of Communist Party, actual years of being a Communist Party member).  $e_{ij}$  measures psychological factors that exert influence on the employees' feelings of reward justice, including self-evaluation and self-perception.

The justice index is estimated by four models: the first model calculates the gross or actual difference for membership in the comparative groups (i.e., state-sector and market-sector employees); the second model estimates the adjusted justice index of the groups after taking into account variations in material-level variables (i.e., human capital and political capital); then in the third model, the net justice index is estimated after variations in psychological-level variables (i.e., self-evaluation and self-perception); and finally, the net justice index is estimated after variations in all of the above factors, as well as control variables (i.e., age, gender, marital status and income) are calculated.

Second, having identified differences in feelings of reward justice between state and market sectors, it is very important to use multiple linear analysis to scrutinize the determinants of state-sector employees' perceptions of reward justice and their market counterparts' feelings of reward justice, respectively. The notion of decomposition is employed to see clearly the determinants of these two types of reward evaluation, respectively.

### 6.3 Results

Several outcomes have been found, notably the determinants of the justice index in the state and market sectors, as well as the determinants of actual and just earnings.

#### 6.3.1 Determinants of Justice Index in the State Sectors and Market Sectors

Table 6.1 Difference in justice index, in deviations from grand mean, between employees of state sectors and market sectors

Independent Variables	Difference in index Gross		Net		Net		Net	
	Model I (1)	F Test (2)	Model II (3)	F Test (4)	Model III (5)	F Test (6)	Model IV (7)	F Test (8)
<i>Comparative groups</i>		29.646***		10.194***		7.447***		5.031***
State sector	-0.8529		-0.8850		-0.8914		-0.9223	
Market sector	-1.0155		-0.9574		-0.9500		-0.9558	
<i>Control variables</i>								
Age			0.004	4.588*	-0.002	0.233***	0.001	0.072
Gender				0.618		0.578		1.401
Male			-0.8962		-0.9075		-0.9174	
Female			-0.9473		-0.9328		-0.9640	
Marital status				0.313		0.311		0.105
Married			-0.9431		-0.9430		-0.9551	
Others			-0.9140		-0.9140		-0.9346	
Welfare			0.028	14.195***	0.023	8.918**	0.025	7.326*
<i>Material-level factors</i>								
Schooling					0.015	6.419*	0.013	3.408
Work experience					0.008	3.801	0.006	1.343
Communist Party						0.121		0.018
Yes					-0.9331		-0.9311	
No					-0.9160		-0.9388	
<i>Psychological-level factors</i>								
Self-evaluation								
Subjective position								4.238**
Top							-1.2488	
Middle-top							-0.8371	
Middle							-0.8803	
Middle-bottom							-0.9327	
Bottom							-1.1258	
<i>Compared with your peers</i>								0.723
Higher							-0.8689	
The same							-0.9543	
Lower							-0.9212	
<i>Compared three years ago</i>								5.028**
Higher							-0.9524	
The same							-0.8763	
Lower							-1.0495	
Self-perception								
<i>Just stratification belief</i>								2.655
Agree							-0.8899	
Disagree							-0.9594	
<i>Fair social mobility</i>								0.023
Agree							-0.9456	
Disagree							-0.9361	
<i>Fair schooling opportunity</i>								0.092
Agree							-0.9236	
Disagree							-0.9410	
R <sup>2</sup>	0.013		0.026		0.030		0.065	

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Model I of Table 6.1 calculates the gross difference in the justice index for employees of both state and market sectors, which is respectively -0.8529 and -1.0155. From the differences of the justice index between these two sectors, I can assume that employees at the state sector

have a higher feeling of reward justice than do their market counterparts.

Model II estimates the amended justice index of these two economic sectors after accounting for variations in control variables, including age, gender, marital standing and welfare. Employees in the market sector (-0.8850) continue to have a higher justice index than those in state sectors (-0.9574), though the original differences are further reduced. When it comes to the control variables, age is positively associated to the justice index (0.004), which means that each additional year of age increases the net justice index by 0.004. It was found that gender and marital condition have nothing to do with employees' reward justice index, and social welfare is strongly associated with employees' feeling of reward justice (0.028), which indicates that each additional unit of welfare increases the justice index by 0.028.

Model III estimates the adjusted justice index of the two economic sectors, after taking into account variations in control variables and material-level variables. As far as material-level factors are concerned, schooling is statistically related to a justice index of (0.015), while work experience and Party membership have nothing to do with an employee's feeling of reward. Each additional year of schooling increases the net justice index by 0.015. As for the control variables, age is still associated with – but is negatively related to – the justice index. Each additional year of age decreases the justice index by 0.002. The other two control variables are not related to an employee's feeling of reward justice.

Finally, in Model IV, the net justice index is estimated after variations in all of the above factors, including control variables, material-level factors, and psychological-level factors. When it comes to psychological factors, the first indicator, self-evaluation, is further divided into three categories. The first subjective position is statistically associated with the justice index. Specifically, those who place themselves in the three middle positions (i.e., middle-top (-0.8371); middle (-0.8803); middle-bottom (-0.9327)) hold higher feelings of reward justice than those in the two extremes (i.e., top (-1.2488); bottom (-1.1258)). The second, self-perception in comparison with their peers, has nothing to do with the justice index. The third, comparison with themselves three years ago, is statistically related to employees' reward justice, and those who perceive their situation to be worse (-1.0495) have lower evaluations of reward justice than those who see themselves as the same (-0.8763) or better (-0.9524) now compared to three years ago.

The other three categories with respect to the second indicator, self-perception, are just stratification belief, fair social mobility and fair schooling opportunity, and are not related to the justice index. After the differences in psychological factors are taken into account, material-level factors turn out not to be related to the justice index. When it comes to control variables, only welfare is statistically significant (0.025), indicating that each additional unit of welfare increases the justice index by 0.025, while the others (age, gender and marital status) are not connected to feelings of reward justice.

Table 6.2 Decomposing justice index advantage of individuals in state sectors over those in market sectors

	State sector vs. market sector	Explain percentage
Gross advantage	0.1626	—
Net after adjusting for control variables	0.0724	55.5%
Net after adjusting for material-level factors	0.0586	8.5%
Net after adjusting for psychological-level factors	0.0335	15.5%

Table 6.2 shows the outcomes of the decomposition of effects for employees' in the Chinese state and market sectors. About 0.1626 of the original justice index advantage to employees is in the state sector over those in the market sector. The gap decreases to 0.0724, which indicates that after differences in control variables are taken into account, 55.5% of the original advantage in the justice index for state-sector employees over their market-sector counterparts can be attributed to these control variables. Approximately 0.0586 of the original justice index advantage of the state-sector employees over their market counterparts comes from material-level factors, leaving about 8.5% of the original difference that can be attributed to the net advantage of working in the state sector rather than at the market sector. After controlling for material-level variables, the gap between the two sectors continues to decrease (0.0335). At this point, 15.5% of the original advantage in justice index for state-sector employees over their market-sector counterparts results from these material-level factors.

### 6.3.2 Determinants of Actual Earnings and Just Earnings

What can be seen from Table 6.2 is the gross advantage of the state sectors over the market sectors in feelings of reward justice, and the differences in employees' perceptions of reward justice attributed to material- or psychological-level factors between state and market sectors, respectively.

Having identified differences in feelings of reward justice between state and market sectors, it is very important to analyze the determinants of the state-sector employees' perceptions of reward justice and their market counterparts' feelings of reward justice. According to Jasso's justice index (2000), individuals' feelings of reward justice consist of two factors; actual reward and just reward, and the notion of disintegration is employed to see the determinants of these two types of rewards. Given that scholars have not achieved a consensus regarding the determinants of the justice reward, and no conventionally well-developed equation has been used to explore its determinants, I specify both the actual and just earnings equations as Mincer-type equations (1974), in which the natural logarithm of earnings is regressed on schooling and work experience.

For purpose of clarification, I first introduce Wu and Xie's (2003) human capital model for contemporary China that was developed from Mincer's (1974) human capital function.

$$\dots \text{Log}(Y) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_2^2 + \beta_4 X_4 + \beta_5 X_5 + e \dots \dots \dots (6.2)$$

In this equation, "e" is the residual unsolved by the standard prototypical. The  $\beta$  denotes regression coefficients that gauge the reward to income after log ( $\text{Log}(Y)$ ) (Wu and Xie, 2003). This equation is based on the classic human-capital-model of Mincer (1974) which includes education ( $X_1$ ), work experience ( $X_2$ ), and work experience-squared ( $X_2^2$ ), plus party-political capital indicating Party membership ( $X_4$ ) and sex role ( $X_5$ ) (Wu and Xie, 2003). In terms of Wu and Xie's (2003) function, actual reward and just reward can be expressed as follows:

$$\dots\dots\text{Log (A)} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_2^2 + \beta_4 X_4 + \beta_5 X_5 + e \dots\dots\dots (6.3)$$

$$\dots\dots\text{Log (C)} = \beta'_0 + \beta'_1 X_1 + \beta'_2 X_2 + \beta'_3 X_2^2 + \beta'_4 X_4 + \beta'_5 X_5 + e \dots\dots\dots (6.4)$$

Tables 6.3 and 6.4 report the estimates of the actual and just earnings equations for the state and market sectors.

Table 6.3 Models for log-earnings in actual reward and just reward in state sectors (2005)

<i>Independent variable</i>	<i>Actual reward</i>		<i>Just reward</i>		<i>(just vs actual)</i>	
	$\beta$	SE	$\beta$	SE	$\$$	SE
Intercept	7.990***	0.113	9.193***	0.126	1.203	0.013
Schooling	0.097***	0.007	0.076***	0.008	-0.021	0.001
Work experience	0.005	0.005	0.006	0.006	0.001	0.001
Work experience <sup>2</sup>	0.00	0.00	-7.172E-5	0.00	-7.712E-5	0.00
Party membership	0.014	0.044	0.020	0.050	0.006	0.006
Gender	0.172***	0.036	0.138**	0.041***	-0.034	0.005
Root mean square error	0.381		0.485			
R <sup>2</sup>	0.157		0.091			

\* p <:05. \*\* p <:01. \*\*\* p <:001.

Table 6.3 reports the assessments of the actual return and just reward equations for state-sector employees. As for the political capital, being a Communist Party affiliate is statistically insignificant with employees' actual and just rewards in the Chinese state segments. As far as the human capital is concerned, schooling is significantly associated with state-sector employees' actual (0.097) and just reward (0.076) quotients, and work experience has no effect on either type. Obviously, the actual rate of return to schooling is greater than the just rate of return to schooling among these market-sector employees, and the gap between them is (-0.021). In addition, gender is also strongly related to both actual reward (0.172) and just reward (0.041) in state sectors. The estimate (0.172) indicates that men on average earn 17.2% more than women regardless of employment experience, schooling, and whether they are a Chinese Communist Party member or not, while the estimate (0.041) shows that women on average expect to earn about 4.1% less than men after controlling for equal education, work experience, and Party status.

Table 6.4 Models for log-earnings in actual reward and just reward in market sectors (2005)

<i>Independent variable</i>	<i>Actual reward</i>		<i>Just reward</i>		<i>Just vs. actual</i>	
	$\beta$	SE	$\beta$	SE	$\phi$	SE
Intercept	7.955***	0.126	9.258***	0.150	1.303	0.024
Schooling	0.115***	0.008	0.096***	0.010	-0.019	0.002
Work experience	0.005	0.008	-0.001	0.009	-0.007	0.001
Work experience <sup>2</sup>	-9.186E-6	0.000	6.837E-6	0.000	16.023E-6	0.000
Party membership	0.058	0.110	0.235	0.133	0.177	0.023
Gender	0.205***	0.051	0.206***	0.062	-0.143	0.011
Root mean square error	0.634		0.938			
R <sup>2</sup>	0.195		0.121			

\* p <:05. \*\* p <:01. \*\*\* p <:001.

Table 6.4 also displays the coefficients of determinants of the actual and just rewards for state-sector employees. As for political capital, Communist Party membership is insignificant with regards to employees' actual and just reward responses in Chinese market sectors. Schooling is significantly associated with market-sector employees' actual (0.115) and just rewards (0.096) but work experience has no effect on either actual or just rewards. Obviously, actual rate of return to education among market-sector employees is greater than expected, and the gap between them is -0.019. Moreover, gender is strongly related to both actual reward (0.205) and just reward (0.206) in Chinese market sectors. The estimate (0.205) indicates that women on average earn 20.5% less than men of equal education, work experience, and Party status, while the estimate (0.206) shows that women expect to earn 20.6% less than men do after controlling for equal education, work experience and Party status.

In addition, based on R square in Tables 6.3 and 6.4, the contribution of human capital to actual reward in the state sector is 3.8% lower than that in market sector, while contribution of human capital to just reward in the state sector is 3% lower than that in market sector. In this sense, human capital plays a more significant role in both actual and just rewards in the market sector than in the state sector.



Table 6.5 Models for log-earnings in actual reward and just reward in market sectors (year 2005)

	<i>Just vs. actual</i>	
	State sector	Market sector
	$\phi$	$\phi$
Intercept	1.203	1.303
Schooling	-0.021***	-0.019***
Work experience	0.001	-0.007
Work experience <sup>2</sup>	-7.712E-5	16.023E-6
Party membership	0.006	0.177
Gender	-0.034***	-0.143***

Table 6.5 summarizes the gap between actual and just reward attributed to schooling, work experience, Party membership and gender in two economic sectors. In this table it is clear that work experience and Party membership are not statistically associated with either actual or just rewards, so I focus on schooling alone. In the state sector, the effect of returns to schooling on actual reward is higher than those on expected reward. The difference between them is -0.021, which indicates that state-sector employees expected rewards from returns to schooling to be 2.1% higher than their actual reward from returns to schooling. On the other hand, those in the market segment similarly have 0.019 lower actual returns from returns to schooling than expected, and their just reward is 1.9% higher than their actual reward with respect to returns to education. Although in both sectors employees' actual rewards are higher than their expected rewards with respect to returns to education, the gap between just and actual rewards in the state sector (0.021) is smaller than that in market sector (0.019). Nevertheless, the effect of gender on the difference between actual and just rewards in the state sector (-0.034) is less than that in market sector (-0.143).

#### 6.4 Findings and Discussions

In general, state-sector workers perceive a higher justice index than those in market segment. Though each type of variable (control variables, material-level variables, and psychological-level variables) contributes to the original advantage in the justice index for state-sector employees over those working in the market sector, they differ in explanatory power. The most prominent set is control variables (welfare in particular), while the second is psychological-level factors, while material-level variables come in third.

According to Jasso (1999), since the justice index is the ratio between actual pay to just pay, and in order to see the results that state-sector employees hold a higher justice index than their market counterparts more clearly, there is a need to discuss actual and just incomes respectively.

As far as the actual income is concerned, political capital is found to be no longer valuable either in the state segment or the market segment. This point implicitly does not support the Power Persistence Thesis which argues that there are no inherent effects for rewards to human or political capital in the shift to a marketplace economy, and therefore state sector employees still have more economic privileges than their market counterparts (Gerber, 2002; Walder, 1996; Wu & Xie, 2003). By contrast, the effect of political capital on economic benefits for workers in both state and market sectors in 2005 (survey year) disappears. However, education is still associated with employees' actual economic benefits, regardless of the type of economic sector, and the former's contribution to the latter has grown increasingly.

A number of relevant studies can support this historical trend. Specifically, return to education in 1988 was 3.1% in urban China (Xie & Hannum, 1996), and it increased to 3.7% seven years later (Hauser & Xie, 2005). It continually increased and was reported to range from 4.4% to 5.2% in 1996 (Wu & Xie, 2003). In this sense, rewards to education have progressively amplified with economic development of China. In addition, employees of the state sector have 1.8% higher returns to schooling with respect to actual reward (state sector: 9.7%; market sector: 11.5%), which confirms Nee's (1989) Market Transition Thesis that in the market sector, the determination of economic benefits are more heavily reliant on market credentials. Therefore, under the same circumstances, employees in the market sector receive higher returns to human capital (higher level of economic benefits) than do state employees. So far, Nee's prediction of increased returns to schooling in the course of marketization seems to be confirmed. However, I cannot be sure that its opposite, the argument proposed by other scholars (Xie & Hannum, 1996) regarding negative association between returns to education and the level of marketization, is unsupported. This is because these scholars' arguments are based on the investigation of another year, say, 1988, while this chapter is focused on 2005, and the historical period ranging from 1988 to 2005 has witnessed many

changes in urban China.

Why is it that those employed in the market segment, with greater rewards to human capital, are less likely than their state counterparts to legitimize their own rewards? This point seems to be an elemental puzzle in the Chinese transition to a market-oriented economy. To focus on actual reward alone may not provide us with a better answer, and so I would like to turn to the discussion of just rewards.

When it comes to just reward, the reward to schooling in the state segment is (0.020) lower than for those in the market sector (state sector: 0.076; market sector: 0.096). That is to say, market-sector employees have higher expectations of rewards to schooling than their state counterparts do. Given that rewards to education contribute to actual reward in the two sectors discussed above (state sector: 0.097; market sector: 0.115), it can be seen that the gap between actual reward and just reward with respect to reward to schooling in the state segment is smaller than that in the market segment. This will illustrate the gap between what the employees in the state sector actually get from their education and what they expect to get is far greater than that in the market segment. This point can partly explain why state segment employees hold higher feelings of reward justice than their market counterparts do with respect to returns to schooling.

Another reasonable explanation for state-sector employees' higher feelings of reward justice than those working at the market sector comes from the effects of state welfare. From the discussion above, we learn that among three sets of variables (control variables, material-level variables, and psychological-level variables), welfare contributes most to the original advantage in the justice index for state-sector employees over those working in the market sector. That is to say, the difference in the justice index between state-sector employees and their market counterparts can be primarily explained by the former's increased access to welfare compared with the latter's. Against the Chinese backdrop, though several dimensions of the state sector have changed with the transition to greater market development, a redistributive benefit (which was termed as latent economic benefits by Zhou (2004) and takes the form of fringe benefits and welfare programs), are still rich enough for its employees. Thus, state-segment workers have an advantage in accessing diverse types of welfare over those in the non-state segment, who are left out of the re-distributive benefits

(Zhou, 2004).

In contrast, despite greater basic salaries and strikingly more opportunities in the marketplace (Zhou, 2004), less work refuge and inadequate well-being packages push them to disadvantaged situations compared to state-sector employees (Bian, 1994; Walder, 1986, 1992; Zhou et al., 1997). As a result, the relatively extensive job benefits increase state-sector employees' ability to manage uncertainty in the transitional economy and make them feel more optimistic toward their economic situation, while also discouraging market-sector employees from feeling content with their legitimations of reward justice.

The empirical evidence that state-sector employees have continually benefited more from extensive welfare entitlements and kept their material and psychological advantages compared to their market counterparts suggests that in contemporary urban China, the redistributive institutions have not lost their relevance, and meanwhile, they help to create and structure social inequalities in state socialist societies (Szelenyi, 1978). According to Zhou (2004), "[t]he redistributive institutions in China controlled the main channels of resource allocation and redistribution in the urban areas" (p.64) and, "[t]hough state socialism as a worldwide political system is withering away, its legacy has not lost contemporary relevance" (p.4).

In other words, the close association between workers and work organizations has not declined with the improvement of marketization. Bian (1994) and Walder (1986) supported this point by arguing that the reliance of employees upon the bureaucratic apparatus, such as work organizations, is a prominent character of the wealth rearrangement systems in urban China. Latent economic benefits, to some extent, present the "principle and economic operation" of this redistributive mechanism (Zhou, 2004, p.228). Under this redistributive mechanism, firms close to the state in their property rights relationships have access to "preferential political treatment, better economic benefits, and higher prestige than other firms" (Zhou, 2004, p.14). The allocation of resources, such as welfare, is not found to be based on occupational groups, but rather, in terms of work organizations (Zhou, 2004). As a result, there have been fundamental gaps in redistributive profit throughout new economic sectors (Walder, 1992).

These two explanations explain why employees in the state sector hold higher feelings of reward justice than those in the market sectors. Based on the discussion above, rewards to schooling in the market segment are higher than those in the state segment and workers in the state sector have more access to welfare than those in the market sector. Therefore, the relationship between these two economic sectors is not simply competitive and exclusive. This result contrasts with Zang's (2002) argument that non state-controlled sectors get promotions at the expense of redistributive economies improved by the market system in China. The process of transition might be more complex than initially estimated.

## 6.5 Summary

Due to the distinction between state and market sectors, there has been a sustained debate regarding which sector's employees are more likely to legitimize their reward justice: those working at the state sectors, or those working at the market ones. Two contrasting hypothesis have proposed regarding whether employees in these respective sectors are more likely to legitimize their reward justice.

Two lines of argument concerning whether the market carries constructive or damaging rewards to people in the state sector (Bian & Logan, 1996; Griffin & Zhao, 1993; Nee, 1989 1991; Nee & Cao, 1996; Xie & Hannum, 1996; Zhou, 2000a) underlie these two hypotheses. The first perspective proposed by Nee (1989) is called the Market Transition Thesis, which holds that in the market sectors, the determination of economic benefits are more heavily placed on market credentials and less on political factors, and thus, under the same circumstances, employees in market sectors receive higher returns to human capital than their state counterparts. The Redistributive Power Thesis argues that there are no inherent effects for rewards to human or party-political capital in the shift to a marketplace economy, and consequently, state sectors' workers still have more economic privileges than do their market counterparts (Gerber, 2002; Walder, 1996; Wu & Xie, 2003).

Based on the 2005 China General Social Survey (CGSS) data, this chapter provides new and forceful evidence against certain conjectures currently popular in the literature. State-sector employees have a higher justice index than those in the market sector. Amongst three types of variables, the control variable of welfare plays the most important role in explaining the

original advantage in the justice index for state-sector employees over those working in the market sector.

As far as actual income is concerned, political capital is found to be no longer valuable in either the state or the market segments, which indicates that the Power Persistence Thesis is unsupported. Schooling continues to be related to workers' actual economic benefits in both economic segments, and the state-sector workers have higher rewards to schooling than their market counterparts, meaning that Nee's prediction of the Market Transition Thesis is still correct.

These new results, however, reveal a strange phenomenon. Why is it that those working in the market sector, with higher rewards to human capital, are less likely than their state counterparts to legitimize their own reward? Two plausible points can be made to explain the state-sector employees' higher feeling of reward justice than their market counterparts. The first is concerned with the gap between what the workers in state sectors actually get from their education and what they expect to get is far higher than in the market sector. The second point can be made in terms of their advantageous access to welfare. These two factors together encourage state-sector employees to feel more content with their economic situation while their market counterparts are more suspect of received measures of reward justice.

Based on the discussion, specifically looking at differences in welfare between employees in the state and the market segments, it is clear that in contemporary urban China the allocation of latent economic benefits is primarily by work organization and the extent of reliance upon the property rights relationship of work organizations to the state. To risk generalization, I should say that the state and market sectors do not absolutely compete with - nor undermine - each other.

The result shows that although employees in the market sector receive greater rewards to schooling, they have a lower level of feelings of reward justice than their state counterparts.

## CHAPTER SEVEN: DISCOURSES AND PSYCHOLOGICAL LEGITIMACY OF INCOME INEQUALITY

From the results of statistical analysis, it can be shown that psychological factors have significance in determining people's sense of legitimacy in income inequality. The cause of income inequality as socially perceived and how people modify and rationalize their views of income inequality are the main focus for this chapter.

In Chapter 7, I extend the critical research on income disparity by focusing on public discourse. I do this by analytically probing the prevailing discursive construction of income inequality reclamation as evident in policy and academic analysis. This chapter reviews policy reports, distributive disputes, and academic texts to demonstrate that the discourse of earnings disparity obviously maintains the normative expectation of conformity as the required consequence of earnings disparity. It will then scrutinize the connection between discursive portrayals and distributive justice sensitivity. To explore the roots of public opinion about income disparity, one needs to recognize the Chinese awareness of the outside sphere in which they live, and the mass media's character for influencing their sensitivities.

### 7.1 Information Control in China's Media Ecology

Adopting thought regulation, the Chinese government tries to mold people's thinking (Tang, 2005, p.79). Q. He (2008) figures out how the governmental controls the internet and other types of media. In the book titled *Public opinion and political change in China*, Tang (2005) shows that the Chinese Communist Party's Central Propaganda Department is the official director of the media affiliated with the Political Bureau (p.80). He also illustrates that promoting the China Communist Party's (CCP) authority, expanding the impact of the official ideologies, and collecting and evaluating opinions for the CCP's political and social policy are the major tasks, other than some forms of censorship (p.80). The government has a regulation of warning groups, institutions, and opinions that it considers a covert risk to social stability and power (Liu, 2011; Tang, 2005, p.80). The Party's Central Propaganda Department determines which topics can be exposed in media and which topics may not be exposed to the public (Tang, 2005, p.80).

While the China Communist Party (CCP) has had mixed success in controlling information and suffered immense stress from some international democratic and human rights NGOs (non-governmental organizations), it continues to monitor some conversations that are perceived as a possible threat to governmental authority, social control, and state representation (Tang, 2005, p.80). Liu (2011) posits that with the growth of professionalism, most media in China still has self-censoring function following the stability rules and norms of information control. Although there have been some changes for the Party's Central Propaganda Department's regulations, the role of this department is to lead with a guiding hand, and therefore some sensitive topics and events are not allowed to be discussed. (Brady, 2006; Tang, 2005, p.80).

## 7.2 Income Inequity Discourses in the Media

In recent years, undeniably, income inequality has become one of the most frequently discussed topics that concern the public in China (Martin, 2009). Earnings disparity is often presented in the media, and the internet is found to contain discussions on this issue as well (Sun, 2008).

An agenda-setting model assumes that the mass media has an essential effect on audiences, given their specific choices of which topics they think are newsworthy and how much significance they are granted (Maxwell, 2004, p.2).

Weaver (1977) discusses how people are different in terms of their needs for outside direction. Necessity for external orientation is a mixture of the individual's attention to the issue and ambiguity about the topic; in such conditions the issues presented in media coverage could noticeably influence people's thinking (Weaver, 1977). In addition, one study projected that a topic is unclear if the public are involved and stands out if many people seek direct interaction with the issues, which implies that the consequences of agenda-setting ought to be most powerful for less clear topics since audiences need to depend on the news in newspapers or on TV broadcasts about these issues (Zucker, 1978).

So media plays a special role in shaping people's profiles of distributive fairness in ways that influence public opinion. Over time, certain groups and certain profiles have dominated the



public's thinking about some heated issues (Weaver, 1977). What has been the dominant public image of fairness of distributive justice in China in the last few years?

I chose the representative national newspaper: *The People's Daily*, in 2011 to use for a narrative analysis. In February of 2011, *The People's Daily* printed an article that explored issues involving with China's earnings distribution and prosperity gap; the articles were titled "for a rational perspective to the topic of social justice" (Ren, 2011).

*The People's Daily* (*ren min ri bao*) is the official newspaper for the central government, which always releases information for the purpose of promoting China's social and political change agendas. Thus, the article titled "for a rational perspective to the topic of social justice" (*li xing kan dai dang qian de she hui gong zheng wen ti*) (Ren, 2011), was received with much concern by the public and also other countries' political analysts.

As a commentary by the editorial board of the *Economic Observer*, one can say this article gave a fair representation of two of the most controversial subjects that are now being disputed in China - the justice of wealth distribution and the rising gap between wealthy and disadvantaged groups. Income disparity and income inequality are crucial elements of the published comments and are acknowledged to represent a particular standpoint ("The best way to deal with wealth inequality is to encourage wealth creation," 2011).

It is a complex task to clarify the profile of China's distributive justice due to heated debates from diverse perspectives. My analysis examines the description and discourses of disparity in the national news, compares these images with the reality of income inequality in China, and provides initial evidence that media coverage of disparity influences people's perceptions and confusions about income inequality. Examining the official national news illustrates that mass media falsifications help to precipitate civic misunderstandings about income disparity and are biased in ways that reflect positively on contemporary income disparities.

It can be shown that the national media employs topics or items to direct the audience's thinking. First, *The People's Daily* presents topics with which its editorial board believes the public should be concerned. Second, the national media frequently focuses on the characteristics of income inequality. The national media directs how people should think

about the issue in terms of income inequality. *The People's Daily* texts produce and reproduce models of significance in the choice of topics covered and the ways income inequality is illustrated by comparative ranking, choice, and the use of selected academic discussions. From the prominent commentary title, "A rational approach to the existing problems with social justice", it can be seen that the national-run media tries to reduce the negative cognitive response to income disparities and increase positive effects. This discourse is impacted by the global discourse of neo-liberalism. *The People's Daily* tries to adopt market ideology and encourages people hold a rationalized view of the experience of increasing income inequality. To some extent, *The People's Daily* justifies the social income index - especially income inequality - under the frame of the neo-liberal economic perspective. Thus, the power hidden behind *The People's Daily's* narrative of social inequality invades people's perception of income inequality and encourages them to reduce their complaints about the real situations they face.

### 7.3 Policy Discussion of Income Disparity

In institutional policy discourses, there are various ways of delimiting inequality which remains a heated theme (Bennett, 2004). In terms of income inequality, there is no consensus of definition and discussion, especially in the transition economy. The different discussions exist in varied social assemblies, in the official characterizations and in civil conversation. It is necessary to explore the image of income inequality in official positions, especially in social policy discussions, which include a series of formal expressions in official documents. There are diverse stages of institutional and official notions of inequality as subjects in policy discourse and some people will be unduly influenced (Bennett, 2004). While one can track the meaning hidden in the official documents related to income inequality by analyzing the social policy discourse; one can also observe people's responses to policy discussions and evaluate the effects of policy discourses on income inequality.

When the government initiated the reform and open policy in 1978, Deng Xiaoping set up a norm of permitting some people and selected areas to become the rich ahead of others in order to complete an ultimate goal of shared wealth, after observing the disadvantages of long-standing egalitarian policies (Lu & Herbert, 2006). The new idea departed from the egalitarianism that dominated the social ideology of Mao's time. This major shift in policy

direction recognizes the differences between geographical areas, enterprises, and people. It sets up an expectation that earning money is more important than equity for the society (Yang, 2012).

The new strategy permits some people in certain areas to attain wealth (Yang, 2012). Since then, social inequality is considered as reasonable in the process of economic development under idea that some people wish and have the capacity to be rich first and then assist the rest (Zhou et al., 2010).

Deng Xiaoping's 1992 southern tour speech played a significant role in promoting China's reform because the role of the speech proposed the construction of a socialist market economic system (Yang, 2012). Another contribution was to establish economic construction as the central goal by Deng Xiaoping (1993, *Economic Daily*, Sector.A1):

In order to keep the advantage for Socialism compared with capitalism, we must broadly absorb and learn from all the achievements of civilization created by human society; we must absorb and learn from the advanced mode of management methods reflected in modern socialized production the cherished management experience including developed capitalist countries...Poverty is not socialism, slow development is not socialism; egalitarianism is not socialism.

From Deng Xiaoping's speech, it can be seen that income inequality are no longer shameful words in the evolving narrative of socialism. On the contrary, all people in poverty are not honorable. So the policy implication designated from the political leader is to rationalize the promotion of income inequality from the perspective of socialist ideology (Zhou, et al., 2010). Jiang, Zemin (2006, p.50) points out:

After the Third Plenary Session of the Eleventh CPC Central Committee, our Party has implemented a policy which allows and encourages some areas and some people to get rich first through honest working and legal business management, leading to the road of common prosperity for the remaining people. This policy fits to the principle of "distribution accords to work". After

we employ the implementation of this policy, people's income gap will widen based on their different capacity and contribution. It is a fair for some people to get rich now and some people to get rich later. Generally, due to the limited gap among people's capabilities and contributions, the implementation of the principle of "distribution accords to work" can not result in huge disparity between the wealthy and the poor. However, it is an unfair phenomenon that those who are egalitarian would be opposed to the any income gap among people.

Jiang Zemin, the central leader of the third generation of the Chinese Communist Party, followed the Deng Xiaoping's instructions and developed some new policies to motivate economic development such as enrolling private enterprise managers as Communist Party members (Chen, 2003). So the notion of income inequality in the era of Jiang Zemin was seen as necessary for economic reconstruction and had its special function.

#### 7.4 Income Inequality Discourse in Academic Fields

It has been recognized that the Gini coefficient is a very influential tool for monitoring the tendency toward income inequality in a country, and for comparing wealth distributions across states, as long as the measures are consistent (Gini, 1921).

By global standards, those countries with a Gini coefficient of 0.30-0.40 can be measured as socially stable, while those with a coefficient over 0.40 have an inactive economy and severe social problems; a Gini coefficient over 0.40 would be characterized as being seriously inequitable (Ola, 2007). However, academics have different interpretations and descriptions about China's Gini coefficient. The renowned Peking University professor Li Yining claims that the Gini coefficient is well applied to countries with a market economy system, and is not very appropriate for China, which is in the course of transition, as explained earlier (Liu & Ding, 2009). Professor Li Yining also notes that China is regarded as having a dualistic economy, suggesting that the mode of life in the urban and rural regions are very different; he argues that the pre-condition of applying the Gini coefficient is to calculate income inequality in countries that have completed urbanization and industrialization (Liu & Ding, 2009). For example, a Chinese farmer in rural Gansu Province could never envisage the life of a junior

-level person who is salaried for a multi-national firm in Shanghai (Liu & Ding, 2009). Using this example, merging data to compute an inequality file makes little sense, principally in terms of the way those who lag behind would respond to the income disparities (Wu, 2009).

Thus, it may not be suitable to compute China's Gini coefficient by employing the richest in the city on one end and then the poorest in the countryside on the other (Wu, 2009). Rather, the city rich should be matched with the city poor and the countryside rich with the countryside poor (Liu & Ding, 2009). Following the Li Yining's suggestion, the Gini coefficient of the city is 0.32 and the coefficient of the countryside is 0.35; as a result, the weighted coefficients are at approximately similar levels (Wu, 2009). Li's design is thought well of by the government for reasons like those laid out in the thematic report by the Statistics Department, and particularly in terms of the social and political inferences about cumulative income inequality (Liu & Ding, 2009).

This dialogue occurs not only in scholarly discourse, but also in speeches by the government because of Li Yining's extraordinary background, including a special relationship with China's government. The government attempts to diminish people's sensitivity to income disparity, and Li's unique model is suitable to accomplish this goal. They expect that attention to income inequality can be diminished by applying a new measuring technique and the discourse in academic fields also justifies income inequality.

However, Li Yining comes into criticism by the Chinese public via the Internet, especially from the "New Left" school of thought.

Facing the same social phenomenon of persistent income inequality, the scholars of Neo-liberalism and the New Left view it from the different standpoints.

Chinese scholars in the school of the New Left critique globalization because they posit that China is involved in globalization and capitalism without any constraints (Kalpana, 2003). The New Left scholars think that the cause of social problems in China arise from outside factors, which are rooted in the globalization of international capital and the market economy (Charles & Wen, 2012). The New Left is critical of the root of the widening gap between the rich and the poor in China and elsewhere because it has negative consequences emerging

from private ownership and market-oriented reforms (Kalpana, 2003). They give emphasis to economic justice and reject models of economic growth at the cost of social injustice (Kalpana, 2003); they consider deviating from the redistributive principle of Marx's communism as an immoral behavior (Charles & Wen, 2012).

However, the economic liberalization scholars hold a different viewpoint concerning persistent income disparity. Neo-liberalism adopts income disparity as the normal consequence of market competition (Heyns, 2005). "Markets were viewed by liberals as consisting of bilateral relations of exchange; horizontal exchange transactions would supplant hierarchic relations of appropriation" (Heyns, 2005, p.166). It is claimed that "widespread availability of opportunity encourages people to deduce that individuals are responsible for their own economic fates, and conclude that inequality in general is fair" (Kluegel, Mason, & Wegener, 1999, p.253).

In contrast: "The tasks of socialism are to liberate and develop production, so we should keep an open mind and employ the combination of planned economy and market economy to achieve this task" (Deng, 1994, p.236). Deng Xiaoping points out that the market economy is not the property of capitalism and the planned economy is not equivalent to socialism; both market economy and planned economy are economic means, which are not necessarily linked with any special social system (1994). Also, Deng Xiaoping points out that "socialists can employ all the efficient means to liberate and develop productive forces" (1994, p.236). Indeed, in post-socialist countries, the former political elites and the new private entrepreneurs can receive new resources with the increasing chances provided by the market system (Heyns, 2005).

TGY, a 35 year old white collar worker in Beijing, who participated in my qualitative survey, states the following:

The income gap is the driving force for economic development. At the time of the planned economy, people's income deepened on the collective labor score in the commune. At that time the income gap was very small but everyone's life was in a poverty condition. A lot of people were hungry, but people did not have much incentive to change the status quo because everyone's revenues were

scarce. When the income gap emerges, the low-income people increase their income through hard work while those with high income will improve their standard of living by their efforts. So an invisible competition is formed, which improves people's living standard at the micro-level and promotes economic development at the macro-level. The income gap accompanies the market economy; it is intrinsically for the socialist market economy linked with the income gap. The income gap cannot be avoided because it is the result of the competitive market economy. This situation will be maintained until the end of the primary stage of socialism. To establish the advantages of socialism, it is necessary to adapt an effective combination of the socialist system and market economy to develop socialist production. At the primary stage of socialism, socialist production is still relatively backward and cannot employ the principle of "distribution is according to work" which generates the income gap.

To some extent, the narrative of the interviewee is similar to the official's logic. Both of them emphasize that income inequality is a necessary incentive to promote economic development. "Free markets provide signals that can help to optimize production, resulting in greater gains but not necessarily greater equality" (Heyns, 2005, p.167). This can be interpreted to suggest that this interviewee is partially supportive the neo-liberalism in the debate between the New Left and neo-liberalism.

Zhang (2007) pointed out that all people in the past three decades benefited from the reform policy; there are no losers in the "opening-up and reform" era. The conception of minus Pareto improvement (Qin, 2008) indicates that all people in Mao's time were victims, so any change will be better and considered just and fair, although inequality will occur. This argument may be explained in Figure 7.1, which compares two types of distribution. In Type A, income is below the subsistence line, but it is equally distributed. Income in Type B is higher than the subsistence, but inequality is high. In reality, most people prefer to choose Type B conditions over Type A because all people can survive, post-Mao. As Heyns (2005) pointed out, the power of politics decreases while the individual's capacity becomes more important with the decline of the central cadres' superior power after introducing private firms to the market system.

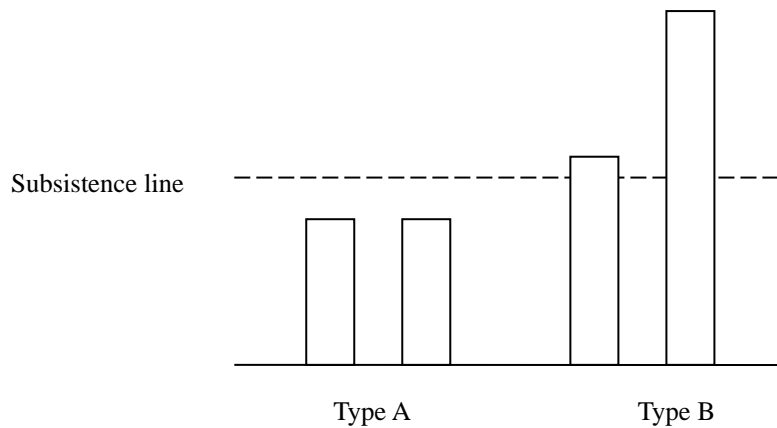


Figure 7.1 Inequality above the subsistence line

“Market coordination changes the process of socioeconomic attainment in a number of ways” (Heyns, 2005, p.167); this point is admitted by some people. YRT, a 46-year-old senior state official in Beijing, gives his understanding about income inequality:

The main characteristic of the market is competition. The enterprises and companies compete for their social resources and market. The competitiveness of each of the enterprises is not the same. The competitive enterprises have the priority to possess the resources to market share while the small enterprises occupy a few social resources and limited market share, which leads to the gap between enterprises. Each person’s human capital is different and thus the return to the human from the market is different. Therefore, it is normal that there is an income gap among individuals in the process of developing market economic system.

This answer may be a representative view of those in official positions. YRT enjoys a high salary and good access to welfare, so he considers income inequality to be legitimate, and denies that most who are rich gain their wealth through illegal or unfair means. He considers income inequality to be a normal consequence of economic development. “Most analysts concede that greater income inequality usually accompanies market deregulation, both because legal control is relaxed and because individual opportunities and incentives are intensified” (Heyns, 2005, p.167).

How does this scholastic and policy discourse partly determine perceptions of income



inequality? It is necessary to learn more about this by exploring social psychological mechanisms.

### 7.5 Cognitive Dissonance and Perceiving Income Inequality

The above discussion of income inequality focuses on academic and policy literature; it is also important to consider how social participants view the causes of income inequality.

Cognitive dissonance can be understood to mean that “new events may happen or new information may become known to a person, creating at least a momentary dissonance with existing knowledge, opinion, or cognition concerning behavior” (Festinger, 1957, p.4). Thus, it refers to when a person’s behavior or acquired knowledge is in disagreement with their previous self-awareness consistent within the former stage, which generates both comfort and unpleasant emotions. The theory of cognitive dissonance suggests that “the existence of dissonance, being psychologically uncomfortable, will motivate the person to try to reduce the dissonance and achieve consonance” (Festinger, 1957, p.3), which will force the mind to seek or invent new thoughts or beliefs, or to modify the beliefs held close to the heart, in order to lessen the degree of cognitive conflict. The inconsistency between behavior and attitude results in tension for an individual’s mental attitude. In order to overcome this anxiety, people need to use diverse methods to lessen their own cognitive dissonance (Van & Jorens, 2002). In order to reduce and eliminate this rising pressure of imbalance and psychological stress, three ways are usually taken: (1) reduce the uncoordinated cognitive component; (2) increase the coordinated cognitive component; (3) change the uncoordinated cognitive component which contradicts with another cognitive component (Festinger, 1957).

Festinger and Carlsmith (1959) assumed that individuals have an inclination to keep cognitive consistency. In reality, discrepancy and incongruity can be seen everywhere, but the external discrepancy does not necessarily lead to interior contradictions because these can be justifiable, and then preserve psychological or cognitive consistency for individuals (Festinger & Carlsmith, 1959).

The concept of cognitive dissonance provides novel understandings of people’s perceptions of a relationship between income inequality and social change. The idealist development

perspective can be understood to account for the influence of cognitive dissonance generated by a belief when faced with income inequality through high-level social change (Xie & Wang, 2009). Therefore, it is necessary to recognize how people modify their sense of income inequality in their psychological feelings.

A good example is TGY, a 35-year-old white collar worker in Beijing, whose comments demonstrate how it is possible to maintain balance between internal perceptions and shifting realities:

Although there are many unfair issues in our society, including income inequality between the wealthy and the poor, I think this is not a serious important issue. Some people always missed out on absolute fairness in the era of Mao Zedong, but I think peoples' living now is better. You can imagine that some need coupons to buy anything. Everyone in urban centers only had the limited scale, which is basically impossible to meet the normal needs for the body in the prospection of biology. I still remember when I was a child; one day I was sick, and my mother prepared to cook some meat to supply nutrition for my weak body. But the meat coupons were not enough; the worst situation is that you cannot buy meat if you have no *Guanxi* in the food store which is dominated by the government. Thus, my father collected all of my families' coupons and asked a relative who had a job in the department of the government to buy meat for me. In Mao's time, only people who mastered power could enjoy some special treat like drinking milk. Now, the ordinary can drink coffee, and even afford some luxury goods. Deng Xiaoping pointed out that real socialism is not poverty. What we need is a dignified life. There is no significance if we try to seek some certain doctrine; this is only the ideal for certain political leaders. We do not need this result that everyone lives in the threat of starvation in order to reduce the differences among people. This has been just cherished evidence from historical events. A good case is that the people's communes in 1958, which eliminated the gap between the rich and the poor, caused the most tragic event in the history of the world, the Great Famine. I heard from my father that a lot of people starved to death in his village; so many people did not die in the War of Resistance against Japan. We would

endure social injustice, rather than receive such absolute equality. That is not absolute equality; it is just absolute poverty.

From what TGY said, we can see that people often compare current living conditions with the past. It is easy to be satisfied with the present, especially for those who have experienced a poor living situation previously. It is an interesting view that income inequality is a consequence of a free market. Clearly there was also inequality during the Maoist era, when government officials could have greater access to meat and milk. How do people balance their experiences and perceptions amidst massive social change? Their beliefs may include an association between income inequality and the consequences of implementing a free market.

## 7.6 Knowledge Beliefs Concerning Development and Income Inequality

### 7.6.1 Income inequality and Economic Development

Based on speculation and empirical evidence, Kuznets (1955) developed an *overturned U molded assumption* about the association between economic development and income disparities. Kuznets analyzes the connection between economic improvement and income disparity grounded on the transition from the old-style farming economy to modern industrial manufacturing. He believed that the progression of industrialization is the expected course of economic growth, which is assigned to the Kuznets curve of change. However, this research was restrained by the lack of data testing and a reasonable theoretical model. Kuznets (1955) distinguishes two departments, one in the unindustrialized segment, and the other in the non-agricultural segment: in the initial stage of economic growth, income inequality remains relative limited owing to the agricultural sector being dominant in the economic structure; in the early phases of economic growth, the trend of income inequality increases due to expansion of the manufacturing sector with high efficiency and the high proportion of the farming sector having low efficiency; once economic development is at a higher level, the proportion of the non-agricultural sector decreases in economic structure, so that income inequality reduces within the dominant proportion of the industrial sector. Therefore, people will get the impression that income distribution tends to be unequal at the partially-developed stage of the economy; the distribution of income will be equalized again with higher levels of

economic development. With the development of Econometrics, scholars endeavored to examine Kuznets' hypothesis using statistical tools.

FHG, a 25-year-old female migrant worker, gives the following statement:

Income inequality is indeed a serious issue for our society because it will inspire people to be discontent with society and government. However, in my opinion, we cannot attribute the individual's failure to social injustice. In fact, the society still provides some chance for individuals. Success depends on your efforts and hard work. Luck is important, the background of family is also important, but these are not the most important. The most important is your ability and effort. We have a proverb, "you can not blame society for your bad luck" (*dian bei bu neng guai she hui*). The market system is full of competition; there are successes and failures every day. It is a normal result; there is no need to say that this is very unfair.

From this interview, it can be surmised that some with low socioeconomic status also consider the rule that rewards for productivity is the normal result of the markets system's competition. This knowledge refers to the association between earnings disparity and economic development in Kuznets's (1955) renowned thesis.

BRT, a 45-year-old male university teacher in Beijing, has the following understanding:

In recent years, income disparity is indeed expanding, and some people and some regions get rich first, as according to Deng Xiaoping's design. I am an economic teacher in university, so I want to understand this change from my academic perspective. You know in economics, especially in liberal economics, there is a famous claim named the inverted "U"-shaped curve, which means that inequality will increase with the growth of economic development. After experiencing a stage of economic development, income inequality will decrease for the changed economic structure. This assumption has been proven in many countries. So I think the emergence of income inequality is not surprising because it is a normal stage for our economic development. As you know, China is a developing

country, which experiences the same primary stages as with other countries' economic development models. You can not deny that all people's incomes are increasing and people's living standard is improved, and that income inequality will not last forever. Actually, the original market system's characteristic is to provide the fair exchange rule to anywhere. China is an agricultural country. After employing the policy of reform and openness, a great number of peasants immigrated to cities to look for jobs. To some extent, the gap between urban and rural people will expand at this stage. But when there are not many people staying in the rural areas, the income gap will be lessened with the economic structural change. This is the point of the model of economic development.

BRT's comments illustrate how some of those who are relatively well educated may come to form and justify understandings about the connection between economic development and income inequality. Xie and Wang propose an assumption that ordinary people in China have direct interactions with their outside society and then produce simple information about it, thus, Chinese people evaluate the rapidly changed outside context including the persistent income inequality by the information provided by the scholars' narratives and their observations of the association between income inequality and economic growth (2009).

It is also important to look at how the Chinese may internalize actual social settings. The desire to find emotional agreement increases if people have cognitive dissonance (Van & Jordens, 2002).

The life course described by an old interviewee, LNY, an 82-year-old woman, offers a useful illustration of this process:

Eighty-four years ago, I was born in the eastern south area of China, Zhejiang Province. I remember that my life in childhood was not comfortable because there was not enough food to eat and no solid house to live in. Later, the Japanese invaded our country, including my home town. So I had to escape from my home town with my family. It was a very hard journey for my hometown people, especially for the women and children. Thus, you can imagine I had no good chance to study in school. In my 17<sup>th</sup> year, I married a peasant and was a

household woman expected to raise the children. The life was not easy because there were several years civil war after the Anti-Japanese war. Although many people have criticisms for the Chinese Communist Party, I think the Chinese Communist Party is a great star for the poor. A good case is my situation. Before the Liberation in 1949, my family was poor and always worried about the next year's food. After the Chinese Communist Party came to power in 1949, I received land in the movement for land revolution. Later, I had a chance to be a worker in Shanghai. I had less chance to work outside in the old society in China. In New China, women's position is improved. In old China, I could not speak loudly with my husband and I should always follow his instructions for the family. The situation was changed after 1949; the husband could not beat the wife because it was against the law and boys and girls could get married for love rather than based on an indication from the parents. In the new society, most children have the opportunity to enter school. I envy that you have a chance to study abroad. However, I am satisfied with the current situation. As you see, I have several grandsons and granddaughters; they are all smart. I have a retirement wage, which is enough to support my living. If I am sick, I can enjoy part of the free medicine program.

This interview reveals how it is possible for some old people, by comparing current conditions with previous hardships, to be more likely to express satisfaction with both the past revolution and current income inequality than are young people.

#### 7.6.2 Justification of Income Inequality

The previous discussion has highlighted the importance of taking into account differences in people's previous experiences in accepting how they deal with rapid social change. The fundamental supposition is that people maintain their perception of positive value in peaceful situations based on a self-rationalization process (Jost & Banaji, 1994). The key point of system justification theory is that people will preserve and support the status quo after a rationalization of the status quo (Liang, Y. Li, & W. Li, 2010). Rationalization of the status quo reduces people's cognitive dissonance and emotional anxiety, which leads them to accept the steadiness provided by the present societal order (Liang, Y. Li, & W. Li, 2010). People

not only rationalize the status quo, but also pre-rationalize future living conditions (Blasi & Jost, 2006; Kay et al., 2002; Liang, Y. Li, & W. Li, 2010). Some studies have shown that individuals in underprivileged groups are more supportive of preserving the status quo than affiliates of privileged groups (Henry & Saul, 2006; Glick & Fiske, 2001). Jost et. al. (2003) discovered that in the United States, after controlling education, those with less earning power and African immigrant descendants have a higher inclination to agree with restricting the public's rights and media criticism of the government than those with good salaries and European-Americans; Latino-Americans with low earnings have more trust in officials than those with good salaries; African immigrants and those with low earnings have more confidence that economic inequality is legitimate and necessary compared with those with good salaries and the European-American.

This point can be supported by QXZ, a 93-year-old woman:

My home town is in Jiangsu Province. In my childhood, life was very hard because the basic food and clothing supply was not guaranteed. My father worked in a factory. But even the poor had a peaceful life that was disturbed by the Japanese invasion of China in 1937. During this war, I saw many people die in the sound of the bombs' bang. So many children lost their parents and their lives. It is a very miserable memory in my life. When the Japanese army came, so many people migrated into the mountain areas. In winter, it was too cold and there was no food to eat. During the era of new China, I had a chance to be a worker in a silk factory. Although I had some hard times in the three years of natural disaster, most of the time I lived a happy life. This was thanks to the Communist Party. Right now I also can receive a pension from the government. Right now I have enough money to afford my life. So I am satisfied with the current life. Income inequality is a problem for our society, but I think it will be solved very well by our government.

This old woman gives a different perception about her life before and after 1949. It can be hypothesized that some elderly women have strong memories of the improvements brought to their lives by the revolution and are more satisfied with the current condition,

which they attribute to it. Thus, it is easy for them to accept the current income inequality as a temporary condition.

This point also could be supported by KME:

The secret of success in China is not only family background. It is assumed that if you have a good background of family, but you have no excellent ability or you are lacking in diligence, you can not to be a successful person, even though you can earn some money in a short period.

From the respondent's interview, it can be seen that people seek some special reasons to justify success. The above discussion supports the point that individuals will be provoked to believe the current order is just and rationale (Van & Jordens, 2002) if they perceive themselves to have some benefit.

## 7.7 Summary

It is shown that the Chinese public contains dramatically opposite views about distributive justice discourses and that such misperceptions are associated with psychological factors. I find that government policy portrays income disparity as substantially less serious as is really the case. These discrepancies between academic and political portrayals of income inequality are less drastic than the true nature of income gap. Thus the unflattering and distorted portrait of distributive justice presented in news-magazines is even more unflattering and more distorted for the elite.

To partly understand the roots of Chinese distributive justice perceptions, it is necessary to understand China's perceptual environment and the role of the idealist development model in shaping those perceptions. Perceptions of distributive justice are partial in at least one crucial respect: academic and policy discourses substantially exaggerate the degree to which high inequality is necessary for rapid economic development based on the limitation of earnings disparity measurement index developed from Western countries. Furthermore, Chinese with less sympathy for underprivileged groups make up the mainstream and are the most likely to have high local distributive fairness.



The point that the income gap is necessary has come to dominate public images of justice distribution. This chapter has shown the portrayal of distributive justice in several registers, comparing these images to the reality of income inequality in China, and provided some preliminary evidence that public coverage of distributive justice shapes public sensitivities.

## CHAPTER EIGHT: PERFORMANCE LEGITIMACY AND LEGITIMATE INCOME INEQUALITY

This chapter examines my interest in whether China's attitudes towards social inequality are stimulated by performance legitimacy and if it is through China's traditional culture that people can endure the social inequality in the context of the government's good economic performance (Xie, 2010). To address this point, I explore and scrutinize how people in China evaluate the connection between the government's economic performance and legitimate income disparity using the 2005 China General Social Survey and some data from my background interviews. In the existing literature, some scholars have determined the operations of performance legitimacy in China's history in order to explore the change of performance legitimacy in historical and contemporary China's political ecology (Zhao, 2009; Xie, 2010). In this chapter, some key points about the relationship between perceived income inequality and performance legitimacy will be explored.

### 8.1 Performance and Legitimacy in Traditional China

Legitimacy is a significant and basic issue in the research of government and political science, which poses a key question about how the rulers receive the people's trust (J. Liu, 2009; Zhao, 2009). With the increased social transformation initiated by introducing a market system in 1978, legitimacy provides a fundamental analytical tool to help understand and explore the great transformation (Zhao, 2009). Peter (1974) declared that "legitimacy is the compatibility of the results of governmental output with the value patterns of the relevant systems" (p.45).

In the context of traditional western European countries, a popular saying is that "divine right of kings" was once the common type of legitimacy (Zhao, 2009; Burgess, 1992). Burgess shows that the concept of the "divine right of kings" means that the power to govern comes from God so that emperors are responsible to God on their own, which assumes that the emperor's power can not be challenged and the emperor is in the world on behalf of God to manage the lives of the people (1992).

Related to the assumption of "divine right of kings" in the context of western European countries, traditional China has its special legitimacy named the "Mandate of Heaven" (*Tian ming*) (Guo, 2003). The Mandate of Heaven refers to the command from destiny and the

rulers claimed that their power came from heaven's will (Zhao, 2009). Thus, in the Chinese ancient books named "*zuo zhuan*" there was a famous saying: "The important affairs for the state are the worship of heaven and military matters" (*Guo zhi das hi, zai si yu rong*) (Zuo, 1999, p.754-755). This means that besides mastering organized armed forces to protect against external aggression and maintain internal security, worship for heaven was an indispensable basis for keeping stability and legitimacy for the regime (Zhao, 2009).

The Mandate of Heaven could provide legitimacy for the establishment of a dynasty, but also offered an excuse for overthrowing a dynasty because heaven can be changed (Guo, 2003). The monarch can rule the people in the name of the Mandate of Heaven but the opposition can also overthrow the dynasty under the banner of destroying the tyrant for their failed vision of heaven (Zhao, 2009). Therefore, although the rulers claimed that their power was from either heaven or God, they needed to provide some performance to justify their legitimacy (Guo, 2003). So the old rulers introduced the concept of virtues to remedy the deficiencies of the mandate of heaven.

"Match the heavens with virtues" (*yi de pei tian*), is an old saying which means that the power of the monarchy who has the greatest perceived virtues was granted by "heaven" (Li & Chen, 2007, p.289). However, the destiny of heaven is not fixed, so only a virtuous person can have the power from heaven; those who lose their virtues will also lose destiny. Several classic works in ancient China supporting this view are well documented. "How can the rulers instruct people if their behavior is not correct?" (*Bu neng zheng qi shen, ru zheng ren he*) (Chen & Confucius, 1996, p.139). "The ordinary people will be convinced if the politicians can manage the country with virtue, which makes people like stars and the rulers like Polaris, the people will naturally join themselves like the stars are around the Polaris" (*wei zheng yi de, pi ru bei chen ju qi suo er zong xing gong zhi*) (Qian, 1985, p.20). *Shang shu*, a classic work in ancient China, emphasizes that "the king must first be virtuous" (*Huang zi jing de*) (Wang, 1982, p.214). "The rulers' managing style is like the wind while people are like grass, which means the grass goes with the direction of the wind" (*zi yu shan er min shan yi. Jun zi zhi de feng, xiao ren zhi de cao. Cao shang zhi feng, bi yan*) (Nan, 2003, p.10).

Thus, these sayings remind the politicians that they are playing an exemplary role, following ceremony, and abiding by the law as the premise of the social stability. Performance

legitimacy is thus rooted in the average Chinese resident (Zhao, 2009), so it is necessary to track the history of public perspectives on virtuous, legitimate leadership.

## 8.2 The Crisis of China Communist Party's Legitimacy

After the China Communist Party controlled the country in 1949, they began to face legitimacy issues (Guo, 2003). The CCP claimed its rights were from two perspectives: one is from history and the other is from an ideological perspective (Fan, 2009).

The historical perspective about the Chinese Communist Party's legitimacy is embodied in the slogan, "No China Communist Party, No New China" (*mei you gong chan dang jiu mei you xin zhong guo*) (Fan, 2009). The Chinese Communist Party's legitimacy is formed in the long-term revolutionary struggle and overthrow of the "three big mountains" (*San zuo da shan*) (Chen, 2003). The official narrative is as follows:

After the Opium War in 1849, striving for national independence, liberating the people, and achieving national and people's prosperity were the historical tasks for the Chinese facing serious national crisis and the people's miserable situation. Facing the broken subjugation and genocide crisis, those who cared for the nation's destiny tried to seek several measures to save China. The big bang of the cannons in the 1917 October Revolution in Russia was a gift for the Chinese because the people began to know Marxism and Leninism. After numerous comparisons among several doctrines, the Chinese people selected Marxism-Leninism as the approach to save China. In the process of combining Marxism-Leninism with the Chinese workers' movement, the Communist Party of China came into being and became a core of leadership in the process of leading the Chinese nation to a great rejuvenation. The Chinese people became masters of their own destiny after the Communist Party of China led the people to establish a state power representing the people's democratic dictatorship. A poor and devastated old China is quickly turned into a thriving and prosperous new China after the CCP came into power. These are irrefutable proofs that the road of socialism is the only correct road for salvaging the country, a bright road to completely change the future and destiny of the Chinese nation. Only

socialism, and nothing else can save China (“The choosing of CCP is the history choice,” 2010).

To some extent, what constituted the CCP regime’s legitimacy was essentially based on Mao Zedong’s thoughts from 1949 until the policy of reform and opening in 1978 (Chen, 2003). However, the country’s development was not as brilliant as the CCP’s assertion. The Chinese suffered a series of social movements and some unexpected disasters for the faithful who supported, without reservation, Mao Zedong and the CCP (Chen, 2003; Zhao, 2009). Scholars have a consensus that the great famine in China from 1958 to 1961 led to tragedy of mass starvation because it was not only the greatest famine in human history exceeding the recorded amount of deaths in the war, but because it was caused by the rulers during a good harvest (Zhao, 2009).

### 8.3 Reestablishing Legitimacy in the Era of Deng Xiaoping

The further escalation of “class struggle” has led to an increasingly severe political struggle, and finally to political disaster and new models of economic development (Zhang, 2003). Both of these approaches may affect the dominance of the rulers. A series of political movements - especially the “Cultural Revolution” - caused national political and social chaos, and China’s economy was on the edge of collapsing (Zhang, 2003; Zhao, 2009). After Hua Guofeng smashed the political coalition of the “Gang of Four” (*si ren bang*) in 1976, people strongly demanded revisiting the errors of the “Cultural Revolution” (Zhang, 2003).

After the end of the “Cultural Revolution”, facing the loss of political legitimacy, Deng Xiaoping employed a series of measures for keeping the legitimacy of state power, which included maintenance Mao Zedong’s authority and ideology, promoting the level of economic development, and preventing the alienation of power (Zhang, 2003).

Deng Xiaoping enacted a new policy decision called “bringing order out of chaos, taking economic construction as the central task” (*pai chu gan rao, yi qie yi jing ji jian she wei zhong xin*) as the new guiding ideology, then initiated the reform and openness policy (Chen, 2003).

After the passing of Mao Zedong, admiration of Mao began to dissipate, and it was possible to abolish the strict communist ideological claims to legitimacy (Zhang, 2003). Meanwhile, some scholars joined in the ideological “debate around what is the standard of the truth” (*Zhen li biao zhun da tao lun*) in 1978. Deng Xiaoping supported and affirmed the proposition that practice is the only criterion of the truth (*shi jian shi jian yan zhen li de wei yi biao zhun*). The Cultural Revolution had seriously damaged the development of the national economy, and improving the overall standard of living became the main task for the CCP (Chen, 2003).

The Party’s legitimacy of ruling status is not innate, nor is without end (J. Liu, 2009). Relying on the slogan of historical choice had once been sufficient to show the legitimacy of the ruling position (Chen, 2003; J. Liu, 2009). Under this model, Deng Xiaoping introduced the policy focusing on economic affairs (*yi jing ji jian she wei zhong xin*) to reestablish the legitimacy of the state (J. Liu, 2009).

After the death of Mao Zedong and Deng Xiaoping, it became urgent for the CCP to transfer the legitimacy rooted in charismatic authority to legitimacy rooted in legal-rational authority (Chen, 2003). With the development of a market economy, it was necessary for the new leaders to establish their authority as rooted in rational choice and legal procedures to account for the declining public respect for the ideological charismatic approach (Zhang, 2003). The function of the traditional ideology, which shaped strong social cohesion and received a wide range of legitimacy for the regime, has been gradually weakened (Chen, 2003). The basic function of the ideology was transferring the goal of secular from the sacred beliefs, which shaped a strong cohesion and a sense of obligations among devout followers (Zhang, 2003). Since the implementation of the reform and openness policy, and with the establishment of a market economic system, public awareness was awakened and people began to be more secular and rational and the ideology could no longer maintain a powerful basis for legitimacy to support the regime (Mao, 2001, p.89).

Under this circumstance, how could the leadership respond to the dilemmas about the Chinese Communist Party’s legitimacy in the new era? Jiang Zemin, the former General Secretary for the Chinese Communist Party, suggested that the Three Representations (*San ge dai biao*) could be an instructing ideology in the new era at the Sixteenth Party Congress in

2001(Chen, 2003). One of the key ideas was representing the most advanced forces of social production (*Xian jin sheng chan li de dai biao*) (Bao, 2002). Thus, the CCP evolved from a revolutionary body to the ruling party (Chen, 2003). Under this narrative, performance plays an important role in recreating renewed legitimacy for the CCP.

#### 8.4 Definition of Performance Legitimacy

The premise of good governance performance is that the rulers have the ability to improve the public's well-being and promote social progress by implementing public power (Xiong, 2011). In general, as a modern state, the legitimacy of governance performance is mainly derived from three sources: first, legitimacy comes from the government's economic performance, which promotes the healthy development of the national economy and ensures a reasonable distribution of social wealth; the second is political performance, which keeps political order, ensures rational decision-making in social policy, maintains the operation of the administrative system, and protects national sovereignty and territorial unity; the third is social performance, which ensures the effective supply of public goods, keeps a stable and harmonious social order, and upholds social justice (He, 2004).

Huntington (1991, p.46) affirms that a stable regime must have triple authenticities: the first is the ideological legitimacy represented by the social value generally accepted by most members; the second is procedural legitimacy; the third is performance legitimacy, that great achievement increases public support for the regime.

J. Liu points out that the populace may question the value and procedures of the regime rooted in performance legitimacy once it have some problems (2009). Comparative political studies also shown that a regime that is not based on elected-legitimacy will suffer greater social instability than democratic governments in an era of economic recession (Huntington, 1991; J. Liu, 2009). Perceived legitimacy cannot permanently cover and compensate for fundamental flaws in the ideology and procedural and even performance legitimacy can have positive consequences only for a limited time (J. Liu, 2009).

If a government has lost ideological and procedural legitimacy, performance legitimacy is the only true resource remaining (Huntington, 1991; J. Liu, 2009). So the gross domestic product

(GDP) is unquestionably assumed to be the most tangible indicator and thus, no other countries are like China, which entitles the GDP with such an importance role (J. Liu, 2009).

Huntington (1991, p.47) pointed out that the appeal of ideology is declining with the ossification of state bureaucracy and entrenchment of socio-economic inequality. In this situation, Communist ideology will become the main obstacle to economic development (Huntington, 1991, p.48; J. Liu, 2009). Marxism-Leninism initially provided an ideological legitimacy in Communist countries, but when the legitimacy of Marxism is undermined, Leninists cannot develop a new authority to support the existing regime (Huntington, 1991, p.48).

In order to obtain the support of the citizens, leaders in dictatorial regimes are often forced to make a commitment to improve living standards as soon as possible, and they have frequently emphasized that economic development cannot be achieved in the older regime (Huntington, 1991, p.59; J. Liu, 2009).

## 8.5 Economic Performance of Local Governments

The character of local governments in China's political system is essential in the course of economic growth and economic transition (Qi, 1992; Qian & Roland, 1998; Zhou, 2008). The distinctive function of local governments in the process of economic growth is associated with China's political traits (Qi, 1992). Zhou (2008) proposes that the local government official's career, to some extent, depended on their region's economic performance under the Deng Xiaoping's slogan of "focusing on economic development" (1994). After several social movements, especially the "Cultural Revolution" initiated by Mao Zedong from 1949 to 1976 in Mainland China, the economy was on the edge of being bankrupt (Zhao, 2009). The Chinese Communist Party faces criticism for their economic and societal policy from the national public and international pressure from other countries (He, 2004). So the China Communist Party abolished the policy of class struggle and adopted the policy of concentrating on economic development in order to develop new political resources and establish renewed legitimacy in 1978 (Guo, 2003).

Although the central government has set up a principle that concentrated on economic development, the main tasks would be implemented by the local governments (Qi, 1992).



Thus, the local government officials had a great incentive to improve their regional economic development level (Zhou, 2008). Before 1994, the local governments kept a proportion of local taxes after submitting the tax assignment to the central government (Wang, 1997). Then the local government was able to create a budget which allowed them to spend future money to complete multiple construction projects for the cities (Oi, 1995). In addition, many state-owned enterprises controlled by the central government were entitled to supports from local governments (Oi & Walder, 1999). These local governments had the additional mandate to run these state-owned enterprises well. Meanwhile, another duty for the local governments was to attract enough capital investment, especially from Western countries. This was an important indicator used to assess the local government officials' economic ability, which partly determined their political promotion.

Thus, it can be surmised that local governments provided motivation for Chinese economic development to some extent. Judgment of the government's economic performance derived not only from the central government but from the local level, where civilians could experience the change within their daily lives.

This study focuses on the extent to which the Chinese people's acceptance of income disparity reflects their sensitivity to the regional government's performance. An underlying assumption is that the Chinese can endure income inequality, if the government can show good performance that improves the average person's life (Xie, 2010). This supposition is fixed in a belief or academic model that is partly recognized in some non-democratic countries, based on "performance legitimacy" (Zhao, 2009).

It can be learned how people evaluate this model from interview evidence. For example, HPD, a 38-year-old peasant in Gansu told me:

You know, China has a large population especially compared with other states. In the old dynasties of China, the emperor taxed too much money from the peasants. Thus, at the end of each dynasty, the peasants could not endure the heavy burden, they revolted and overturned the old dynasty and established a new dynasty. After several years, this situation happened again. In 2005, the government abolished the program of agricultural taxes from peasants. I think it was a great event in our

history. Also, the government promised some bonus for the farmers who engage in agricultural production. So we can see that the Chinese Communist Party was a good government in China's history. The government had a good policy in agriculture; however, so many regions are still poor such as our province, Gansu. I think the main reason why our province is poor is the deteriorated environment. You know, there is not enough water in northwest China. We just wait for the rain days to raise the seeds in the ground from the former days. Right now, the government helps us to develop modern agricultural techniques. Anyway, I think the gap between the rich and the poor is larger than thirty years ago, but the peasants benefit from the new policy.

China has the largest population in the world, so it is important for the government to obtain peasant support. From this interview, it is shown that some peasants admire the CCP's economic design. Also, HPD thinks that economic development is the most important issue for the government, so performance legitimacy may be accepted by some people.

#### 8.6 Results of Receiving Performance Legitimacy

A theoretical framework assumes that performance legitimacy is an important mediating factor influencing people's responses to perceived income inequality and so I will first explore it using quantitative data. The quantitative data shows the basic information of people's attitude towards accepting income inequality on the condition of the government's good economic performance.

Table 8.1 Hierarchical logistic regressions: Coefficient predicting odds of receiving government's good economic performance without enjoying democracy

	<i>Model 1</i>		<i>Model 2</i>	
	B	Odds	B	Odds
Constant	2.042*** (0.244)	7.706	1.807*** (0.278)	6.095
<i>Individual-level</i>				
Education	-0.043*** (0.008)	0.958	-0.036*** (0.008)	0.965
Income (logged)	-0.048*** (0.011)	0.953	-0.046*** (0.011)	0.955
Occupation (reference group=other)				
White collar	-0.500*** (0.080)	0.606	-0.533*** (0.082)	0.587
Blue worker	-0.261*** (0.061)	0.770	-0.271*** (0.062)	0.763
Manager/leader	-0.412*** (0.078)	0.662	-0.417*** (0.079)	0.659
<i>Control variables</i>				
Gender (Male=1)			-0.119* (0.048)	0.888
Age			0.003 (0.002)	1.003
Marriage status (yes=1)			0.074 (0.085)	0.759
<i>Situational-level</i>				
GDP increasing rate	-0.088*** (0.045)	0.916	-0.086*** (0.017)	0.917
-2 Log Likelihood	10042.859		10032.137	

\*\*\*p<.001. \*\*p<.01. \*p<.05 (two-tailed tests)

Table 8.1 presents results that predict the Chinese people's acceptance of their government's high-quality economic performance without enjoying democracy. The first model shows the association between attitude toward receiving benefits from the government's good economic performance without enjoying democracy, with individual-level variables (schooling, earnings, and occupation), and with situational-level ones (GDP increasing rate). From the table, it can be concluded that education tends to be negatively related to the likelihood of receiving benefits from the government's good economic performance without enjoying democracy. Those with one more year of schooling have 4.2% less probability of accepting the government's good economic performance without enjoying democracy, after controlling for all other independent variables. Income is also significantly associated with attitudes toward accepting the government's good economic performance without enjoying democracy. The possibility of accepting the government's good economic performance without enjoying democracy does not increase with the growth of people's income. Those with one unit logarithm salary higher have a 4.7% lower probability of accepting the government's good

economic performance without enjoying democracy, controlling for all other independent variables. Two occupations, manager/leader and white collar workers, with 60.6% and 66.2% respective probability of accepting the government's good economic performance without enjoying democracy are more likely to do so than those in other occupations. There is no association between the white collar occupations and their acceptance of the government's good economic performance with no enjoying democracy.

An unexpected outcome, however, is that there is a negative association between education and accepting the government's good economic performance without enjoying democracy. Correspondingly, there is no positive connection between income and acceptance of the government's good economic performance without enjoying democracy, which means that the extent of acceptance of income inequality on the condition of the government's good economic performance will not be enhanced with an increase of income.

Model 1 shows situational level factors affecting attitudes toward accepting income inequality on the condition of the government's good economic performance plus the individual-level variables. The growth ratio of the GDP is negatively associated with accepting the government's good economic performance without enjoying democracy. That is to say, compared to people in the provinces with lower growth of per capita GDP, those in the provinces with higher growth tend to accept government's good economic performance without enjoying democracy.

Model 2 contains socioeconomic status and the control variables (age, sex, marital condition, etc.) plus the variables in Model 1. In Model 2, education is significant for the feelings of accepting the government's good economic performance without enjoying democracy. It also illustrates that income is positively associated with feelings of acceptance toward the government's good economic performance without enjoying democracy. That is to say: those with higher incomes are more willing to accept the government's good economic performance without enjoying democracy. With the increasing of one unit of wage, people have 95.5% more probability of receiving government's good economic performance without enjoying democracy, after taking account of all other independent variables. The manager / leader, and white-collar workers have more inclination to accept the government's good economic performance without enjoying democracy, with 58.7% and 65.9% than other careers to

support to receive government's good economic performance without enjoying democracy. White-collar worker's attitudes have nothing to do with accepting government's good economic performance without enjoying democracy, according to the reports.

As far as control variables, age and marital status are irrelevant with approval of the government's good economic performance without enjoying democracy. Gender is related however. On average, men have 88.8% less probability to support the government's high-quality economic performance without enjoying democracy.

In terms of situation-level variables, a province's increasing gross GDP per capita is negatively correlated with attitudes towards high-quality economic performance without democracy.

In Model 2, after taking account of the impact of self-interest and control variables (gender, age, marital condition), there is a positive connection between three predictable indicators of socioeconomic status (schooling level, earnings and profession) and accepting government's good economic performance without enjoying democracy.

Seen through the Chinese people's attitudes towards income inequality (influenced by performance legitimacy and shaped by China's traditional culture), people can accept the government's good economic performance without enjoying democracy, especially for those who judge their welfare today against that of the past.

FRT, a 43-year-old state firm employee in Beijing, said:

China and the Western countries have their different historical and cultural backgrounds. The institution is an extension of the culture. The institution without the support of their own culture is like a people dressed beautifully but without suitable cloth, which means that it may not be good-looking. The action of European and United States people attempting to disseminate their values and intuition to China is equal to a healthy human body that has been affected by an allergenic organ, which leads to some sickness for the body. Some people say that Taiwan is a pioneer of democracy. Taiwan is democracy? Is that right? But you

see how ridiculous it is! Some people say that Taiwan will not show political violence after several years' development of democracy. It makes no sense because the national character can not be changed in a few decades. Two of Asia's richest countries, Singapore and Macau, have nothing to do with democracy. People's satisfaction with CCP is not bad because the CCP's governance is progressive, although some people may say that is propaganda.

JGY, a 28-year-old private firm employee in Gansu, told me:

Due to the widening gap between the wealthy and the poor, the dissatisfied public voice is an emergency, and the rulers began to get nervous. They adopted a series of policy adjustments such as taxing more for the rich. China has learned from the United States to tax the rich more and implemented some other measures to reduce the gap between the rich and the poor. The rich have the feeling they are in a crisis, so they transfer some property to foreign countries to seek wealth preservation, which may result in the loss of great wealth here. So, should we not tax the rich more? This is not right. The government should have a reasonable law, which is implemented in a fair and transparent way. The wealth from taxing the rich should be assigned to the ordinary people, which is also wealth redistribution. But our government now collects our money, does nothing for the people, so the Chinese government is the world's richest government. Our government is harsh on their own people, but is very generous to others, such as support for Africa, Vietnam, Indonesia, and North Korea. Other countries have not yet appreciated the Chinese government's hundreds of billions' donation; how ironic it is! I think the government should introduce some practical programs and measures to deal with the persistent rising income disparity. Not only had to employ a number of effective ways to reduce the burden on ordinary people, but also feed some of the fruits of economic development to the ordinary people. To be strong for China, we should be like the United States; most wealth should be dominated by the people, not by the government, not arbitrarily introducing some advanced idea in China because China has its special background.

These two interviews show the potential for employees in different sectors to hold varied opinions. The first interviewee in a state firm considers that democracy in Western countries to be unsuitable for China and others suggest that the nation should develop a Chinese-style democracy. The second interviewee in a private firm demonstrates the difference between dictatorship and democracy, in relation to tax investments.

Lu Xun, a great writer in China's history, once said: "China only has two kinds of people: one is seeking to be a slave and the other is a slave temporarily steady" (Lu, 1994, p.67). The Chinese tend to be submissive and bite the bullet, as long as there is food to eat and they will not starve to death; they will not resist, except if they cannot be slaves (Bo, 2008). The highest ideal of the farmers is to be "together with the family in a warm bed" (*Lao po hai zi re kang tou*), as long as the rulers can meet this requirement. For thousands of years the ordinary Chinese people formed adaptive responses to authoritarian power: if you want to survive in an authoritarian regime, you have to succumb to its rules (Bo, 2008). There is a tough saying that, "the only person who feeds me with milk is my mother" (*you nai bian shi niang*).

LRF, a 57-year-old laid-off worker, stated:

All politics is based on an economy. Despite all the political tricks, the ultimate issue is ordinary people's life (*Guo ri zi*). People do not care about capitalism or socialism if they do not worry about eating and drinking. If the ordinary people have a peaceful life even without luxury cars and villas, they are not concerned about the gap between the rich and the poor. Under this circumstance, there are no "jealous eyes" (*Hong yan bing*) for them. The Soviet Union people were not satisfied with life after they saw the movies from Western countries' TV. Why do people in the Western countries live better lives than us? But people do not think so; that we should live lives as Americans are shown in the TV. The ordinary people first want to have material security, and then the needs of soft guarantee of the spirit and politics. In fact, the ordinary people want to live in a stable and harmonious society. The ordinary man wants to be with his wife and play with his children, to live a quiet life. The goal of the ordinary people is the comparatively low price for a house, good social order, reducing the gap between the rich and

less corruption for the officials.

Li (2001) demonstrates that China is the nation that grips practicality and materialism: most Chinese have no religious values, which have little restriction for their belief and behavior, and are easier to be speculative; unlike American pragmatism, the ultimate goal of Chinese pragmatism is to get money and power.

Li (2001) also points out that ordinary people do not care about who has integrity or who does not; if they have food to eat and have a house to live in, and the officials do not disturb their peaceful life, they do not care who are corrupt or are greedy. This idea may be supported by another proverb, that “tolerance is the heart of a knife” (*ren zi tou shang yi ba dao*).

In China, submission has become the wisdom; tolerance is the result of the law of the jungle (Bo, 2008). Also, people regard food as their heaven, so hunger is the word that the Chinese cannot forget. In the long term, the memory of hunger, especially the great famine of from 1959 to 1961, left an indelible impression for those aged around 50 years old.

LRF also gives a narrative:

My father and mother, even my grandfather and grandmother said too that they are scared in an unstable society and by depressive periods like the period of Anti-Japanese War. Thus, if the government can provide enough chance and space to the people, and people can have a comparatively decent living, the income inequality is not a very serious issue for my family.

Thus, different people can accept income inequality because they can accept performance legitimacy in their daily lives.



## CHAPTER NINE: SEM ANALYSIS OF SES-PERCEIVED INCOME INEQUALITY

This chapter will provide a Structural Equation Model (SEM) analysis of socioeconomic status (SES)-perceived income inequality in order to explore direct and indirect effects from various factors. Listed in Table 9.1 is the description of selected variables. Table 9.2 presents the estimated path coefficients for Perceived Income Inequality, and Table 9.3 gives the direct and indirect effect of SES in SEM. The main concerns are to: (1) show the specific efficacy of the causal model proposed; (2) explore whether just reward and psychological factors mediate the effects of different variables; and (3) figure out to what extent just reward and psychological factors mediate the effects of the selected variables, including SES.

Table 9.1 Description of selected variables about perceived income inequality

<i>Variable</i>	<i>Number/Mean</i>	<i>Percentage/SE</i>
Education Level		
No education	1164	11.2
Primary school	2699	26.0
Primary high school	3091	29.8
Senior high school	2378	22.9
University	1039	10.0
Income Quintile		
1 <sup>st</sup> quintile	2640	27.2
2 <sup>nd</sup> quintile	1491	15.4
3 <sup>rd</sup> quintile	1835	18.9
4 <sup>th</sup> quintile	1965	20.3
5 <sup>th</sup> quintile	1771	18.3
Occupation		
peasant	4243	40.9
Others	84	0.8
Leader/manager	643	6.2
White collar	1532	14.8
Blue collar	3870	37.3
Demographic variables		
Female	.4919	47.4
Male	5453	52.6
Marriage status	9394	90.6
Unmarried	976	9.4
Rural	5812	56.0
Urban	4560	44.0
Communist Party (yes=1)	1120	10.8
Not Communist Party	9252	89.2
Exposed in Media		
<i>Strongly not concern about</i>	521	5.0
<i>Not concerned about</i>	1275	12.3
<i>Sometimes</i>	2692	26.0
<i>Concerned about</i>	4082	39.4
<i>Strongly concerned about</i>	1802	17.4
Intergenerational mobility	1.14	2.11
Psychological characters		
Compare same aged	2.35	0.62
Three years change	1.84	0.79
The poorer target	1.88	0.93
Opportunities for children	2.11	1.02
Opportunities for peasants' children	2.25	1.13
Development idealism	2.63	1.20
Justice index (Jasso index)	-1.14	0.86
Index of perceived income inequality	0.79	0.70

Table 9.2 Un-standardized LISREL Coefficients for the Perceived Income Inequality

Variables	Mediating Variables					
	Development idealism		justice index (Jasso index)		Perceived income inequality	
	B	SE	B	SE	B	SE
<i>Constant</i>	1.142 ***	0.107	-0.751***	0.092	0.944 ***	0.115
<i>Socioeconomic Status</i>						
<i>Occupation</i>						
<i>Peasant</i>	0.010	0.049	0.164***	0.035	-0.054	0.048
<i>Others</i>	0.000	0.135	0.079	0.099	0.083	0.128
<i>Leader/manager</i>	0.088	0.057	-0.032	0.039	-0.019	0.051
<i>White collar</i>	0.165 ***	0.051	0.108**	0.035	0.026	0.046
<i>Blue collar</i>	0.140 ***	0.039	0.065**	0.028	-0.036	0.037
<i>Education</i>						
<i>No education</i>	-0.076	0.051	0.113**	0.036	0.010	0.050
<i>Primary school</i>	-0.056	0.034	0.097***	0.024	0.030	0.032
<i>Senior high school</i>	0.030	0.035	-0.056*	0.024	-0.037	0.030
<i>University</i>	-0.052	0.059	-0.138***	0.040	0.033	0.049
<i>Income</i>						
<i>First income quintile</i>	-0.006	0.054	-1.544***	0.070	0.013	0.086
<i>Second income quintile</i>	-0.053	0.057	-0.871***	0.069	-0.037	0.083
<i>Third income quintile</i>	-0.062	0.055	-0.539***	0.067	-0.035	0.079
<i>Forth income quintile</i>	-0.060	0.055	-0.378***	0.066	-0.056	0.077
<i>Fifth income quintile</i>	-0.089	0.056	-0.210***	0.065	-0.051	0.076
<i>Demographic variables</i>						
<i>Age</i>	0.005 ***	0.001	0.008***	0.001	0.000	0.001
<i>Male</i>	-0.019	0.025	0.000	0.017	0.053*	0.022
<i>Never married</i>	-0.040	0.045	-0.049	0.032	-0.016	0.038
<i>Urbanites</i>	-0.098 *	0.047	0.010	0.033	0.053	0.045
<i>Communist Party</i>	0.077	0.041	0.005	0.028	-0.034	0.036
<i>Media expose</i>	0.019	0.012	-0.028***	0.008	-0.012	0.011
<i>Intergenerational mobility</i>	-0.004	0.008	0.021***	0.005	-0.005	0.006
<i>Psychological characters</i>						
<i>Compare same aged</i>	0.171 ***	0.021	0.002	0.014	-0.012	0.019
<i>Three years change</i>	0.063 ***	0.016	-0.042***	0.011	-0.003	0.015
<i>The poorer target</i>	-0.025 *	0.013	-0.013	0.009	0.024*	0.012
<i>Opportunities for children</i>	0.185 ***	0.014	-0.002	0.010	0.008	0.013
<i>Opportunities for peasants' children</i>	0.167 ***	0.013	0.010	0.009	-0.029*	0.012
<i>Development idealism</i>					-0.002	0.009
<i>Justice index (Jasso index)</i>					0.004	0.014
<i>F test</i>	131.295***		45.235***		1.562*	
<i>R square</i>	0.110		0.290		0.010	
<i>N</i>	9545		8383		4588	

\*P &lt; 0.05 \*\* p &lt; 0.01 \*\*\*p &lt; 0.001 (two-tailed tests)

(The development idealism variable is developed from the item “do you agree that it is fair that some people earn more and some people earn less”)

It is clear that objective SES predictors (schooling, earnings, and profession) rarely have quite strong and inconsistent associations with the index of perceived income disparity. Specifically, in these models, I use the income quintile rather than income as a predictor, in order to show the effect of different economic strata.

Contrary to prediction, the data illustrates that white-collar workers are more likely to have higher scores of perceived income inequality than peasant and blue-collar workers. The peasants have the lowest index of perceived income inequality after controlling for a series of psychological and demographic factors. This may mean that psychological factors are the primary determinants influencing their perceived income inequality. People with university degrees have the highest score on perceived income inequality, which partly demonstrates that those with high SES have a better perception of income inequality. Unexpectedly, people in the first and second quintile have higher indexes of perceived income inequality than those in the higher quintile.

It seems that age is unrelated to perceived income inequality. Women are more volatile than men in terms of current income inequality because they have the lower score of perceived income inequality. It may explain that women are conditioned to be the losers compared to men in the process of market reforms and have more legitimate complaints than men about the new reality. Those who are unmarried present a better feeling of income inequality, although the coefficients for feelings of income inequality are not statistically significant. This may refer to those unmarried who have less economic burdens than those who married.

Those who are urbanities, those who are not Chinese Communist Party members, and those who report themselves exposed less in the media demonstrate higher scores, although these factors are not significant. As expected, those with a better education position than the last generation illustrate higher scores, which show that social mobility shapes people's perception of income inequality.

In terms of psychological factors, those who report that their living standard has improved significantly over the last three years and those who report that they enjoy high social status show the highest index of perceived income inequality, which means that relative exploitation, plays an important in determining people's perceived income inequality. Specifically,

comparison with their peers has nothing to do with perceived income inequality. Those who support taxing the rich to help the poor have a lower score of perceived income inequality, which means that egalitarianism are more critical for current income inequality. People with more beliefs about the prospect of social mobility display better perception of earnings disparities. Those who hold a belief that society's opportunity is not fair demonstrate the worst perceived income inequality. People with better feelings of income reward and development idealism have a high index of perceived income inequality.

Table 9.3 Standardized LISREL coefficients

Variables	Standardized LISREL coefficients			
	Direct effect	Indirect effect		Total causal effect
		Development idealism	Just index	
Occupation				
Peasant	-0.054	0.010	0.164***	-0.037
Others	0.083	0.000	0.079	0.083
Leader/manager	-0.019	0.088	-0.032	-0.021
White collar	0.026	0.165 ***	0.108**	0.043
Blue collar	-0.036	0.140 ***	0.065**	-0.026
Education				
No education	0.010	-0.076	0.113**	0.001
Primary school	0.030	-0.056	0.097***	0.024
Senior high school	-0.037	0.030	-0.056*	-0.038
University	0.033	-0.052	-0.138***	0.040
Income				
First income quintile	0.013	-0.006	-1.544***	0.022
Second income quintile	-0.037	-0.053	-0.871***	0.009
Third income quintile	-0.035	-0.062	-0.539***	-0.001
Forth income quintile	-0.056	-0.060	-0.378***	-0.033
Fifth income quintile	-0.051	-0.089	-0.210***	-0.032

\*P < 0.05 \*\* p < 0.01 \*\*\*p < 0.001 (two-tailed tests)

The results in Table 9.3 show that the just rewards index has a greater effect on perceived income inequality than any of the other predictors considered. It refers to the first set of causal paths directly linking psychological and cultural variables with perceived income inequality.

The positive evidence for this result means that the rewards justice index influences perceived income inequality more strongly when people have more affinity with development idealism. Unexpectedly, however, belief that income inequality is the normal result of economic development has a significant positive effect on perceived income inequality. It presents possible reasons for the considerable direct outcome of development idealism. It also supports the assumption that a justice index is the mediating factor, which means that the feeling of income reward has direct and indirect effects on the perceived income inequality.

In all, two points can be drawn from the outcomes of the statistics: first, the Chinese display a great acceptance of earnings disparity even with irritated feelings about earnings disparity. Second, mediating factors, including psychological and cultural factors, play essential roles in shaping people's legitimization of earnings disparity.

## CHAPTER TEN: RESPONSES TO INCOME INEQUALITY: REDISTRIBUTIVE PREFERENCES

In Chapters 6, 7 and 8, it was shown that the structural, psychological and cultural factors mediate and legitimate Chinese perceived income inequality. It is necessary to explore the responses for intensifying income inequality. Moreover, the Chinese government, in an attempt to reduce the rising income gap between the rich and the poor, has initiated several types of redistribution to transfer the wealth from the prosperous to the poor (Smyth et al., 2010). One might assume that at any point in time, poor people unavoidably favor such redistribution and the wealthy ones might be against it (Alesina & La Ferrara, 2005). In reality, however, individual preferences for wealth rearrangements are very complex. In other words, Chinese urbanites vary with respect to whether they think the administration should redistribute earnings to provide social safeguards for the poor and to decrease income inequality in urban China (Smyth et al., 2010).

This chapter attempts to explore both the individual (self-interest and fairness beliefs) and situational-level factors (time and region) influencing Chinese urbanites' preferences for taxation. Since taxation represents a type of income redistribution, the ultimate goal of this chapter is to test whether Chinese urbanites have become fragmentized or polarized with respect to preferences for redistribution. Specifically, how do Chinese people in diverse social classes vary in their preferences for wealth redistribution? Do some of them regard redistribution as acceptable, necessary, or perhaps even legitimate? Or is it more common for some of them to feel irritated or perhaps even advocate for the now officially repudiated types of redistribution?

The chapter is structured as follows: it begins with an introduction of the research background, specifically, income inequality between the rich and the poor, and the Personal Income Tax System (PITS) in China. In the data analysis section, I present the descriptive results of the general patterns of Chinese urbanites' preferences for taxation in terms of three measures: polarization, bimodality, and kurtosis, as well as by a five-scale income classification. Then results are tracked with a demonstration of the outcomes of several regression models. The chapter continues on with a discussion of the intensity and trends toward polarization in China and closes with a short summary.

## 10.1 Background

In dealing with the connections between becoming rich soon, becoming rich later and shared wealth, the primary goal is to take any constructive issue and fix anything probable to improve the economy system and produce more and more cumulative wealth. Given that the country's goal of common prosperity for its people will not be achieved and social unrest will emerge if the income gap continues to widen, the need for equitable and effective tax policies is underscored in China.

Despite the broad definition of tax in the People's Republic of China, the focus of this chapter is narrowed to personal income tax. The personal income tax system, which is commonly used in either advanced or less industrialized countries (Messere, Kam & Heady, 2003) requires individuals to maintain their personal taxation rewards based on personal income, and has gained prominence in China's revenue system, having been implemented largely for urban residents (Xu & Cui, 2009). Though the modern sense of personal income tax was applied in China during the early 1980s, it has gradually become a primary basis of the functional revenue and a strategy tool in China's fiscal system (Xu & Cui, 2009).

As the ultimate social aim of personal income tax (*ge ren suo de shui*) is to “address economic inequality and to promote social harmony” (Xu & Cui, 2009, p.578), equity is more important than efficiency. Following this logic, China has established a progressive system, and the wealth distribution will be fairer after the wealthy are levied in a higher level (Kerbo, 2006). Specifically, a progressive personal income tax system promotes greater standards and advanced progressivity for high-income and advantaged groups, while allowing for rational exclusions for low earnings and underprivileged assemblies (Xu & Cui, 2009); in essence, personal income tax is expected to trickle down benefits from the rich to the poor. As far as the level at which people start paying income tax is concerned, the current personal income tax (*ge ren suo de shui*) law stipulates that workers should start paying tax on earnings over 800 Yuan per month (Xu & Cui, 2009).

These tax levels were set, however, several decades ago when only one percent of wage-earners received more than 800 Yuan a month, and the picture has completely changed—about two-thirds of the country's provinces and cities have already reached the



monthly threshold in recent years (Xu & Cui, 2009). As a result, people from low- and middle-income classes have contributed the majority of China's tax revenue, while their high-income classes have evaded payment. No doubt, the result is made clear by a recent Chinese popular saying, "Robbing the poor to feed the rich" (*jie pin ji fu*). Accordingly, considering nearly all wage-earners are covered by the current PITS and 800 Yuan is not high enough to benefit the majority of the low-income population (Xu & Cui, 2009). The present 2,000 Yuan PITS entrance is elevated to advance the justice of the tax scheme by the policy designer's requirement for administration ("Proposal to Raise Individual Income Tax Threshold," 2009).

However, limited empirical research has been studied to observe the attitudes of the public toward personal income tax (*ge ren suo de shui*) in China. In terms of probing the factors partly determining the population's attitude towards personal income tax and their preferences for wealth rearrangement, one public opinion can be explored: specifically, how to deal with the issue of class polarization. This raises the questions, how do Chinese urbanites in different social classes vary in preferences for redistribution, and have their opinions become more dispersed or clustered when it comes to important values such as the demand for redistribution? In this sense, the degree and environment of class polarization are explored.

The existing studies have predominately fixated on the influence of individual-level issues on people's preferences for wealth rearrangement, and have neglected the contribution of situational-level predictors to attitudes on this topic. However, according to the "Reflection Thesis" (Hadler, 2005, p.134), individuals' opinions reveal relatively little about the actual conditions in reality, and therefore their views are basically dependent on the scheme of allocation in any special context where they are embedded (Mau, 1997).

It has to be admitted that China's unbalanced regional level of economic development may change over the years (Xie & Hannum, 1996). This trend has already been demonstrated in the process of China's economic reform, particularly from the 1990s; income inequality across regions increased fast (Gao, 2009). The 1980 Gini coefficient in China was 0.32, and dropped to 0.26 at the early stages of economic reform from 1980 to 1984, then increased to 0.36 in 1990, finally increasing to over 0.40 in 2000 (Chang, 2002). Thus, there is a need

to consider temporal factors in the discussion about income inequality in China. Following the logic of the Reflection Thesis (Hadler, 2005, p.134), the preferences for redistribution may be shaped by actual income inequality that involves both regional and temporal concerns.

The discussion of the association between income disparity and support for wealth redistribution should begin with the Meltzer-Richard Model (1981). Its primary contribution is that the extent of earnings disparity has an impact on the demand for wealth redistribution. This idea has been empirically tested by some scholars (Cusack, Iversen, & Rehm, 2006; Iversen & Soskice, 2006; Moene & Wallerstein, 2001; 2003), but no consensus has been concluded. Others (Iversen & Soskice, 2006; Moene & Wallerstein, 2001; 2003) have assumed that there is not a positive connection between wealth reallocation and pre-change disparity. Finseraas (2009) has reported a positive effect of disparity on redistributive preferences, and some have found that the degree of disparity does not influence advocacy for redistribution (Kenworthy & McCall, 2008) or a lack of association between these two variables at all (Lübker, 2007).

Besides income inequality, the extent of marketization should be highly regarded in relation to demand for redistribution. The association between individuals' beliefs and dominant values, and between the level of marketization and dominant values, demonstrates this point (Hadler, 2005). Ideology is comparatively steady and does not disappear quickly among people, which is the underlying premise of the former pair of associations (Hadler, 2005). This premise is that societies can be classified, and that people in a range of economic strata differ in their views about government's role in redistribution (Haller et al., 1995). In more liberal countries (e.g., the United States), individual freedom and equal chances are seen as significant (Kreidl, 2000; Noll, 1998; Verwiebe & Wegener, 2000) and thus these countries have more meritocratic belief (Gilens, 1999), whereas in socialist state countries, faith in equal wealth and opportunity is regarded to be the main ideology, including that the state should take responsibility for redistribution (Hadler, 2005).

## 10.2 Hypothesis

So far, it is clear what is needed is to consider both individual- and situational-level factors simultaneously when we attempt to explore the causes of redistribution preferences. The

following sections look at various hypotheses that can be deduced from the discussion above.

### 10.2.1 Individual-Level Based Hypotheses

Listed below are four individual-level based hypotheses:

H1. People with higher current incomes – as measured by current personal incomes and current comparison incomes with others – are less likely to support taxing the rich more to help the poor, compared to those with lower current incomes.

H2. People with higher prospects of future incomes or those with lower evaluation of past incomes are less likely to support taxing the rich more to help the poor, compared to their counterparts with lower prospects of future incomes or those with higher assessment of past incomes.

H3. People who have experienced upward social mobility before, or those who have higher expectations of upward social mobility, are less inclined to favor taxing the rich more to help the poor, compared with those having downwardly mobile past experiences, or those having lower future expectations of upward mobility.

H4. The greater importance attributed to diligence and effort in success and wealth, the increased hostility people will show towards taxing the rich more to help the poor.

### 10.2.2 Situational-Level Based Hypothesis

Listed below are four situational-level based hypotheses:

H5. The higher the objective income disparity (Gini index), the more people support increasing taxes to the rich to help the poor.

H6. The higher the level of marketization (Marketization Index), the less people favor taxing the rich more to help the poor.

H7. The faster the speed of increasing income inequality (Gini index), the more people

support taxing the rich to help the poor.

H8. The faster the speed of the level of marketization (Marketization Index) , the less people favor taxing the rich more to help the poor.

### 10.3 Results

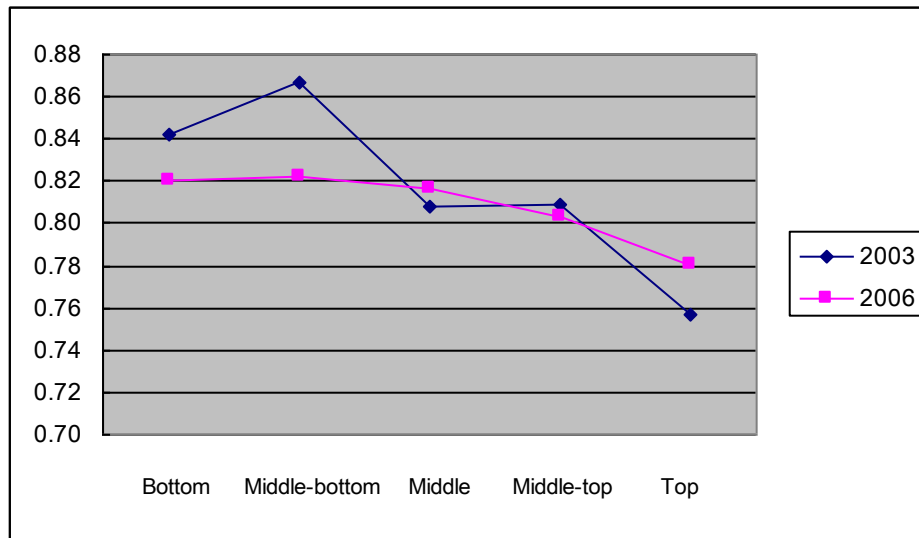


Figure 10.1 Percentage of five economic classes supporting taxing the rich more to help the poor in 2003 and 2006

Figure 10.1 provides a general understanding of the attitudes of residents in urban China toward “taxing the rich more to help the poor”.<sup>1</sup> I plotted the proportion supporting the government’s policy of taxing the rich more to help the poor for two non-contiguous years (2003 and 2006). Several characteristics that I observed are as follows: first, with the exception of people from middle-bottom and middle-top in 2003 and those from middle-bottom in 2006, proportional rates of support for taxing the rich more to help the poor vary systematically with the levels of economic class. Specifically, there is a general trend in both 2003 and 2006 that the supportive proportion negatively associates with the level of economic class. Meanwhile, it is interesting to see that fluctuations are greatest for those at the middle-top level in both years.

Second, among the five levels of economic class, people from the middle-bottom level show

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<sup>1</sup> “Taxing the rich to help the poor” is a question in CGSS questionnaire.

similar high rates of supportive attitudes in 2003 and 2006, despite the fact that the rate of the former (0.866) is strikingly higher than that of the latter (0.823). On the contrary, for both years those in the top level express the highest hostile attitudes towards tax policy, with little difference (2003: 0.757; 2006: 0.780).

Third, the proportion of people supporting tax policy for each level of economic class varies over time (between 2003 and 2006). The greatest change in the proportional attitude occurs in the middle-bottom economic class, with a sharp increase of 4.3%, whereas the smallest change takes place in the middle-top economic class (0.600%). In addition, there are noticeable variations across the five levels of economic class: for those from the bottom, the supportive proportion drops from 0.842 to 0.820, while for their top counterparts, it increases from 0.757 to 0.780.

Table 10.1 Polarization characteristics for the years 2003 and 2006

Year	2003	2006
Mean	0.8165	0.8088
Variance	0.150	0.155
Skewness	-1.636	-1.571
Standard error of Skewness	0.036	0.034
Kurtosis	0.676	0.469
Standard error of Kurtosis	0.071	0.068

Table 10.1 represents the polarization characteristics regarding attitudes toward the policy of taxing the rich more to help the poor, for the years 2003 and 2006, with measures of mean, variance, skewness and kurtosis. The mean for 2003 is 0.8165 with variance of 0.150, while the mean for 2006 is 0.8088 with variance of 0.155, which indicates that the proportional distribution for 2003 of those supporting the taxation policy has most values clustered around the average proportion, whereas 2005 has a wide range of values around the average.

For kurtosis, the distribution for both 2003 and 2006 of the proportion of people favoring the taxation policy are both pointed, since the kurtosis value of each year are positive rather than negative (2003: 0.676; 2006: 0.469). This shows a level of consensus rather than of polarization around the tax policy for both years. However, the distribution for 2006 is more widely spread out than for 2003, indicating that many observations are more closely clustered

around the most frequently held attitudes towards taxation policy in 2003 than in 2006. Looking at skewness tells us that in both years, the direction in which the distribution of those supporting the government's taxation policy are deviant from normal stretched out to the lower values, namely, toward those who are most against the prevailing taxation policy. In particular, in terms of the value of each skewness (2003: -1.636; 2006: -1.571), I can say that there were more people against taxation policy in 2003 than in 2006.

Table 10.2 Hierarchical logistic regressions coefficient predicting odds of supporting taxing the rich more to help the poor on individual level and situational level variables in 2003

	Model 1		Model 2		Model 3		Model 4	
	<i>B</i>	<i>Odds</i>	<i>B</i>	<i>Odds</i>	<i>B</i>	<i>Odds</i>	<i>B</i>	<i>Odds</i>
<i>Economic Class</i> (reference=top)								
Bottom	0.601***	1.824	0.596***	1.815	-0.370*	0.691	-0.501	0.606
Middle-bottom	0.770***	2.159	0.631***	1.880	0.122*	1.130	-0.063	0.939
Middle	0.316**	1.372	0.174	1.190	-0.167	0.846	-0.417	0.659
Middle-top	0.333**	1.395	0.249*	1.282	-0.031*	0.969	-0.150	0.860
<i>Control Variable</i>								
Age			0.023***	1.023	0.024***	1.024	0.024***	1.024
Gender(reference=male)			0.036	1.037	0.122	0.246	0.147	1.158
Employment status (reference=employed)			-0.123	0.884	-0.226	0.097	-0.129	0.879
Marital status (reference=married)			0.001	1.001	-0.111	0.895	-0.134	0.875
Schooling			-0.043***	0.958	-0.051*	0.951	-0.052	0.950
Welfare			0.004	1.004	0.016	1.016	0.009	1.009
Individual-level								
<i>Self-interest</i>								
Current personal income (log)					-0.309*	0.735	-0.330*	0.719
Past comparison income (Reference=bad)								
<i>Better</i>					-0.234	0.791	-0.228	0.796
<i>Same</i>					-0.175	0.840	-0.187	0.830
Intra-generational mobility (education)								
<i>Fairness Belief</i>								
Existence of the rich and the poor (reference=disagree)					-0.212	0.809	-0.169	0.845
<i>Agree</i>					-0.095	0.909	-0.063	0.939
Children's equal access to education (reference=disagree)					0.003	1.003	0.010	1.010
<i>Agree</i>								
Equal opportunities of descents of workers or peasants to become high-socioeconomic-status (reference=disagree)							-0.428***	0.652
<i>Agree</i>								
Existence of the rich and the poor (reference=disagree)							0.296*	1.344
<i>Agree</i>								
Children's equal access to education (reference=disagree)							-0.307*	0.736
Situational-level								
Marketization index	-0.017***	0.983	-0.016***	0.984	-0.017***	0.983	-0.015***	0.985
<i>Constant</i>	1.705***		1.214***		4.690***		5.146**	
<i>Chi-square</i>	5272		5098		4987		4256	

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Table 10.2 presents the results of the hierarchical generalized linear modeling (HGLM) that predicts the attitudes of residents in urban China towards taxing the rich more to help the poor in 2003. The first model shows association with economic class and the level of marketization. From the table, the results are that with the exception of the middle-bottom level, attitudes towards the tax policy vary systematically with levels of economic class. There is a general pattern that those with a higher level of economic class are less likely to support such a tax policy. The sharpest shift in preferences for taxation occurs at the middle-bottom level, that is, people from this stratum are twice as likely as those from the top tier to support the tax policy (2.159). In addition to the level of economic class, Model 1 includes one situational-level factor, the marketization index, as well. This index significantly associates negatively with demand for taxation. Those with one more unit of marketization index have 1.7% less probability of supporting the tax policy, controlling for all other independent variables.

In Model 2, control variables (i.e. schooling, sex role, work status, marital status, and welfare index), have been incorporated together with those in Model 1. The association between the level of economic class and attitudes towards the tax policy remains the same as shown in Model 1. Still, the only exception - and the most noticeable variation - occurs at the middle-bottom level, and those from this level are slightly less than twice as likely as those from the top to support the tax policy (1.880). As far as the control variables are concerned, age is positively correlated with preferences for taxation (1.023), indicating that getting one year older, and the odds of supporting the taxation increases by more than a fact of one, controlling for all other independent variables (1.023). Schooling is found to be negatively associated with demand for taxation, which means that those with one year more schooling have 95.8% less probability of supporting taxation, controlling for all other independent variables. Other control variables, including gender, employment status, marital condition and welfare index, have nothing to do with preferences. There is also significantly negative correlation between the marketization index and taxation attitudes. Those with one more unit of marketization index have 98.4% less probability of supporting tax policy, controlling for all other independent variables.

Model 3 includes variables examined in Model 2 plus one set of an individual-level factor, namely, self-interest, which includes current personal income and comparative income, and



intra-generational mobility with respect to education (past mobility experiences). Still, people from the middle-bottom level have the highest probability to support the tax policy, whereas for their middle counterparts, their attitude towards taxation is not related with their economic class level. Among the control variables, both age and schooling are respectively associated with preferences for taxation, but differ in direction. Those one year older have 1.024% more probability of supporting taxation, whereas those with one year more schooling have a 95.1% less probability of supporting taxation, controlling for all other independent variables. Other control variables are found to be similar, and do not relate with the demand for taxation. As for self-interest, current personal income negatively associates with attitudes towards taxation, and those with one unit logarithm in higher current personal salary have a 73.5% lower probability of supporting taxation, controlling for all other independent variables. But present comparison earnings and intra-generational mobility, with respect to schooling, are unexpectedly reported to be insignificant. The association between the marketization index and attitudes towards taxation remains the same, and those with one more unit of marketization index have a 98.3% lower probability of supporting the tax policy, controlling for all other independent variables.

In addition to all the variables included in Model 3, fairness belief, as another individual-level variable, is contained in Model 4. The level of economic class is discovered to be insignificant. Among the control variables, age is the only statistically significant predictor of preferences for taxation, and being one year older, the odds of supporting taxation increases by more than a factor of one controlling for all other independent variables (1.024). Consistent with the results in Model 3, current personal income negatively associates with taxation attitudes, indicating that those with one unit logarithm in higher current personal salary have 73.9% less probability of supporting taxation, controlling for all other independent variables. All other self-interest-relevant variables (i.e., current comparison income, intra-generational mobility) have no effect on preferences for taxation. When it comes to fairness beliefs, those who legitimize the existence of the rich and the poor have 65.2% less probability of supporting taxation, after all the other independent variables are considered; those with optimistic viewpoints towards children's equal admission to education are nearly one-and-a-half times as likely as those who hold pessimistic viewpoints towards this issue to support the tax policy (1.344); and those who validate the equal opportunities of descendants of either workers or peasants to reach high-socioeconomic-status have 73.6%

less probability of supporting taxation, after all the other independent variables are considered. The association between the marketization index and attitudes towards taxation remains the same, and those with one more unit of marketization index have 98.5% less probability of supporting the tax policy, controlling for all other independent variables.

Table 10.3 Hierarchical logistic regressions coefficient predicting odds of supporting taxing the rich more to help the poor on individual level and situational level variables in 2006

	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>		<i>Model 4</i>	
	B	Odds	B	Odds	B	Odds	B	Odds
Economic Class (reference=top)								
Bottom	0.250*	1.284	0.164*	1.178	0.300*	1.350	0.208	1.231
Middle-bottom	0.266*	1.304	0.234*	1.264	0.259*	1.296	0.184	1.201
Middle	0.227*	1.255	0.172	1.188	0.263	1.301	0.185	1.203
Middle-top	0.137	1.146	0.089*	1.093	0.136*	1.145	0.012	1.012
Control Variable								
Age			0.004***	1.004	0.002***	1.002	0.002***	1.002
Gender (reference=female)			-0.147*	0.863	-0.153	0.852	-0.202	0.814
Employment (reference=unemployed)			-0.079	0.619	-0.052	0.752	-0.062	0.786
Married (reference=unmarried)			0.031	1.032	0.029	1.021	0.350	1.128
Education			-0.003***	0.997	-0.015*	0.985	-0.013*	0.987
Welfare			0.034	1.035	0.055*	1.057	0.052	1.047
Individual-level								
<i>Self-interest</i>								
Current personal income (log)					-0.428***	0.652	-0.376***	0.876
Past comparison income (Reference=bad)								
<i>Better</i>					-0.187	0.829	-0.197	0.798
<i>Same</i>					-0.176	0.876	-0.165	0.897
Past promotion experience (Reference=yes)					0.072	1.717	0.065	1.643
Past wage increase experience (Reference=yes)					-0.087***	0.916	-0.076***	0.998
Future promotion expectation (Reference=yes)					0.876	1.983	0.879	1.965
Future wage increase expectation (Reference=yes)					-0.012***	0.876	-0.16***	0.921
Intra-generational mobility (occupation)					0.087	1.287	0.092	1.876
Intra-generational mobility (education)					0.098	1.876	0.062	1.246
<i>Fairness Belief</i>								
Success due to luck							0.098	1.112
Success due to social network							0.092*	1.009
Success due to individual capacity							-0.096*	1.765
Being poor due to idleness (Reference=disagree)								
<i>Agree</i>							-0.076***	0.982
Being poor due to education insufficiency (reference=disagree)								
<i>Agree</i>							-0.089	0.971
Being poor due to government policy (Reference=disagree)								
<i>Agree</i>							0.125***	1.652
Situational-level								
Marketization index	-0.021***	0.972	-0.020***	0.976	-0.019***	0.971	-0.018***	0.981
<i>Constant</i>	1.268***		1.208***		1.118***		1.109***	
<i>Chi-square</i>	6785		5878		2987		2675	

\*\*\*p<.001. \*\*p<.01. \*p<.05 (two-tailed tests)

Table 10.3 demonstrates the results that explore the attitudes of residents in China towards taxing the rich more to help the poor in 2006. Association with economic class and the level of marketization is represented in Model 1. The result of the sharpest decline in the odds of supporting taxation takes place at the level of middle-bottom and suggests that people from this level have the highest probability of supporting taxation. Among participants from the other four levels of economic class, those at the top tier have the lowest odds of showing preferences for taxation. As for the marketization index, it has a statistically negative association with attitudes towards taxation; specifically, those with one more unit of marketization index have 97.2% less probability of favouring taxation, controlling for all other independent variables.

Together with variables in Model 1, Model 2 considers control variables. As shown in Model 1, the sharpest shift occurs at the middle-bottom, but for those from the middle level of economic class, no relationship is found to their attitudes towards taxation. Three control variables (age, gender, and schooling) significantly correlate with preferences for taxation. Specifically, people who are older, female, or with a higher education level are more likely to favour governmental tax policy. The others (employment standing, marital status, and welfare index) do not touch on demand for taxation. The level of marketization is reported to be negatively associated with taxation attitudes, and people with one more unit of marketization index have 97.6% less probability of favouring taxation, controlling for all other independent variables.

Besides variables examined in Model 2, Model 3 also contains self-interest-relevant variables. The correlations between different levels of economic class and preferences for taxation are identical to those found in Model 2. Age, schooling, and welfare indexes are all significant; specifically, those who are older, less-educated, and have more access to social welfare entitlements are more inclined to favour the tax policy. The dimension of self-interest in 2005 covers a greater number of variables, in particular with respect to previous mobility experiences and upcoming mobility prospects. Both past wage increase experiences and future wage increase expectations are negatively correlated to preferences for taxation, whereas past experiences of promotion and future expectations of promotion have no influence with demand for taxation. Among the self-interest-based variables discussed in

Model 2, current personal income is the only significant predictor, and those with one unit logarithm current personal salary higher have 65.2% less probability of favouring the tax policy, controlling for all other independent variables. The level of marketization is negatively associated with taxation attitudes, and people with one more unit of marketization index have 97.1% less probability of favouring taxation, controlling for all other independent variables.

The last model of Table 10.3 simultaneously considers variables in Model 3 and fairness-belief-based factors. The association between the level of economic class and preferences for taxation turns out to be insignificant. Among the control variables, only age and schooling are associated with attitudes toward taxation. Respondents who are older and are less-educated show higher probability of supporting the tax policy. The pattern of the correlation between self-interest-relevant variables and taxation attitudes remains the same. That is, current personal income, past experiences of wage increases, and future expectations of wage increases all negatively correlate to tax attitudes. As for fairness beliefs, three variables dealing with success (luck, social networking and individual capacity) and three dealing with poverty (idleness, educational insufficiency and governmental policy) are included in the 2006 CGSS. For people who believe that success should be attributed either to luck or that poverty strongly links to individuals' educational insufficiency, there is no significant relationship shown between fairness beliefs and demands for taxation. Responders who attribute success to social networking, or those who regard poverty as a result of ineffective policy, are more likely to express higher preferences for the tax policy, while people who think of social networking as the most important factor predicting success or those blame the poor for their idleness have lower probabilities of supporting the tax policy. As demonstrated in Model 3, the level of marketization is negatively associated with preferences for taxation, and those with one more unit of marketization index have 98.1% less probability of favouring taxation, controlling for all other independent variables.

Table 10.4 Correlations among situational variables (Gini coefficient) and estimation of attitudes towards taxation across 28 provinces in urban China (for bottom-level class)

	<i>Gini gap</i>	<i>Gini 2003</i>	<i>Gini 2006</i>	<i>Bottom 2003</i>	<i>Bottom 2006</i>	<i>Bottom gap</i>
Gini Gap	1					
Gini 2003	-0.607**	1				
Gini 2006	0.219	0.620**	1			
Bottom 2003	-0.021	0.249	0.256	1		
Bottom 2006	0.047	-0.222	-0.324	-0.012	1	
Bottom gap	1.000**	-0.607**	0.219	-0.021	0.047	1

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

The output of Table 10.4, which takes the form of a correlation matrix, shows the relationships between all variables (change in Gini coefficient from 2003 to 2006, Gini coefficient of 2003, Gini coefficient of 2005, the proportion of people who are in favour of taxation policy in 2003 and in 2006, and the change in the proportion of people supporting taxation policy). This includes the correspondence of a variable with itself for people from a bottom-level economic class. The first and most noticeable finding is that there exists a perfect positive relationship between the change in Gini coefficient from 2003 to 2006 and the change in the proportion of those supporting taxation policy. This point suggests that with the increase of income disparity in urban China, demand for the redistributive role of the government has been increasingly pressing for the population who are at the bottom level. In addition, the Gini coefficient of 2003 has a negative correlation with the change in the proportion of people supporting taxation policy, indicating that the greater the income inequality is in a province, the less the growth in the proportion of those at the bottom-level favouring taxation policy in this region. Based on these two points, I discovered that although growth of earnings disparity indeed encourages the population at the bottom-level to demand taxing the rich more to help the poor, those at the bottom-level vary in the change in their demand for taxation policy, partly due to the different extent of earnings disparity in each province. In other words, the higher the level of income inequality in a province, the smaller the increase in the demand for taxation policy among those at the bottom-level living in that province.

Table 10.5 Correlations among situational variables (Gini coefficient) and estimation of attitudes towards taxation across 28 provinces in urban China (for middle-bottom-level class)

	<i>Gini gap</i>	<i>Gini2003</i>	<i>Gini2006</i>	<i>M-Bottom2003</i>	<i>M-Bottom2006</i>	<i>M-Bottom gap</i>
Gini gap	1					
Gini2003	-0.607**	1				
Gini2006	0.219	0.620**	1			
M-Bottom2003	0.027	-0.260	-0.231	1		
M-Bottom2006	-0.050	-0.068	-0.146	0.068	1	
M-Bottom gap	-0.071	0.075	-0.025	-0.477*	0.840*	1

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Table 10.6 Correlations among situational variables (Gini coefficient) and estimation of attitudes towards taxation across 28 provinces in urban China (for middle -level class)

	<i>Gini gap</i>	<i>Gini 2003</i>	<i>Gini 2006</i>	<i>Middle 2003</i>	<i>Middle 2006</i>	<i>Middle gap</i>
Gini gap	1					
Gini 2003	-0.607**	1				
Gini 2006	0.219	0.620**	1			
Middle 2003	-0.294	0.312	0.519	1		
Middle 2006	-0.110	0.058	-0.041	-0.068	1	
Middle gap	0.021	-0.138	-0.160	-0.629**	0.780**	1

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Table 10.7 Correlations among situational variables (Gini coefficient) and estimation of attitudes towards taxation across 28 provinces in urban China (for middle-top-level class)

	<i>Gini gap</i>	<i>Gini 2003</i>	<i>Gin 2006</i>	<i>M-Top 2003</i>	<i>M-Top 2006</i>	<i>M-Top gap</i>
Gini gap	1					
Gini 2003	-0.607**	1				
Gini 2006	0.219	0.620**	1			
M-Top 2003	-0.201	0.205	0.072	1		
M-Top 2006	-0.012	-0.306	-0.368	-0.256	1	
M-Top gap	0.138	-0.324	-0.262	-0.814*	0.765*	1

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Table 10.5 demonstrates the correlation matrix result for those from the middle-bottom-level economic class. It was found that there is a statistically negative connection between the

extent of earnings disparity in a province in 2003 and the increase in the preferences for taxation policy among those living in that province from 2003 to 2006. The same point can be made for those who are positioned at middle and at middle-top levels, shown in Tables 10.6 and 10.7. The value of connection for those from middle-top level is the greatest among these three relationships (-0.814).

Table 10.8 Correlations among situational variables (Gini coefficient) and estimation of attitudes towards taxation across 28 provinces in urban China (for top-level class)

	<i>Gini gap</i>	<i>Gini 2003</i>	<i>Gini 2005</i>	<i>Top 2003</i>	<i>Top 2005</i>	<i>Top gap</i>
Gini gap	1					
Gini 2003	-0.607**	1				
Gini 2005	0.219	0.620**	1			
Top 2003	0.050	-0.008	0.040	1		
Top 2005	0.166	-0.383	-0.314	0.428*	1	
Top gap	0.101	-0.358	-0.324	-0.311	0.726*	1

\*\*\*p<.001, \*\*p<.01, \*p<.05 (two-tailed tests)

Two interesting findings can be summarized from Table 10.8: the first is the negative correlation between the Gini coefficient in 2003 and the proportion of people from the top-level economic class in favour of the taxation policy in 2006. Another is that the greater the proportion of those supporting redistributive policy among those at the top-level in a province is in 2003, the higher the proportion of them supporting the taxation policy three years later will become.

#### 10.4 Findings and Discussions

Figure 10.1 clearly shows that the difference in proportion of people supporting taxation policy between those from the bottom level and their top level counterparts decreases from 2003 to 2006. This finding seemingly demonstrates the overwhelming trend of people's convergence regarding government redistributive policies, that is, to encourage taxing the rich more to help the poor during the period from 2003 to 2006. The result from Table 10.1, in terms of the two primary measures of kurtosis and skewness, offers additional empirical evidence. Due to greater values of kurtosis and skewness in 2003 (0.676 and 0.469, respectively) than in 2006 (-1.636 and -1.571, respectively), there is also a pattern that,



compared with 2003, that respondents in 2006 are more likely to be polarized with respect to such taxation policy. So far, on the surface, both Figure 10.1 and Table 10.1 have verified the tendency that people in China have increasingly become less convergent upon in their government's redistributive policy, which advocates taxing the rich more to help the poor.

Nevertheless, Figure 10.1 also presents to us that, with the advancement of time (from 2003 to 2006), the proportion supporting the taxation policy among the top-level people has increased, while the preferences for the taxation policy among their bottom-level counterparts has decreased. Compared to what has been found above, people in China seem to get less polarized upon their preferences for redistributive policies.

These two results contradict each other and thus demonstrate an interesting empirical phenomenon. In order to explore whether there is a convergence or a divergence in the Chinese people's preferences for redistribution, as well as to identify the predictors of such convergence or divergence, I have to investigate further by examining the results from two sets of HGLM (2003 and 2006).

Based on four models of 2003 HGLM (Table 10.2), both individual and situational levels have effects on demand for redistribution. The indicator of income (current personal income) is the only significant factor negatively affecting attitudes towards a taxation policy, to some extent echoing what has been proved by several studies mentioned in the previous literature section. When it comes to social mobility, the second indicator at the individual level (intra-generational mobility, specifically schooling) is found to be insignificant. This point might be explained by varying patterns of progression along formal education levels over time. Therefore, fluctuations in educational mechanisms, in different historical phases with respect to the educational experiences of urban residents in China (Zhou, 2000a), makes impossible and inaccurate comparisons between generations. In addition, persistence of fairness beliefs, which are measured by issues regarding social stratification mechanisms in urban China, decreases the perceived need for redistributive policies. This point indicates that in the course of past economic transitions in China, the majority have been gradually more sensitive to the fairness of the social stratification mechanisms. However, the negative association between the level of marketization and preferences for redistribution suggests that in the eyes of most people, income inequality is regarded as an unavoidable and

taken-for-granted consequence of economic reform in China.

The findings reached in Table 10.3 are generally the same as those in 2006. The majority of individual and situational level variables are found to be significant. In other words, people living in urban China, either out of considerations of self-interest or fairness beliefs, correspondingly adjust their perceived need for redistribution. Specifically, personal incomes (either experienced or future expectations) rather than comparison incomes are statistically associated negatively with preferences for redistribution. Moreover, as far as the indicator of social mobility is concerned, wage increases rather than promotion, with respect to either past experiences or future expectations, is reported to play an important role in shaping people's demands for redistribution. This point is partially supportive of the argument concerning the close relationship between social mobility and attitudes towards wealth rearrangements (Alesina & La Ferrara, 2005); the slight difference between these empirical discoveries and the existing literature can be attributed to factors such as study context.

Another predictor, intra-generational mobility (education and occupation) has nothing to do with preferences for government's redistributive policy, which might be explained by great changes to education systems and occupation structures in transitional China over several decades (i.e., the emergence of increased numbers of new types of occupations in the recent decades compared with pre-reform days). Despite a different focus on fairness in 2006 (i.e., contributors to success), most variables have been demonstrated to be significant, and thus confirm the importance of fairness beliefs in preferences for wealth rearrangements, as emphasized in the existing literature. That is, awareness about equivalent chances leading to wealth and success can shape preferences for wealth rearrangements. Those who assume that class differences only reflect merits, such as individual abilities, are less likely to support redistribution if variances in merit are deemed fair. Respondents who think that family background or other outside factors significantly influence one's success might support redistribution irrespective of their own success prospects, "simply to correct for unfair advantages" (Alesina & La Ferrara, 2005, p.903). Consistent with the result of the 2003 HGLM, the level of marketization remains a negative correlation with demands for taxing the rich more to help the poor.

Despite the emphasis of existing literature on the importance of both individual-level

(self-interest and fairness belief) and situational-level factors (the level of marketization) on preferences for redistribution, these factors are inadequate. Therefore, some key variables, income inequality for example, should also play a role in explaining people's attitudes towards wealth rearrangements and thus be included as additional situational-level predictors. However, due to the unavailability of desired variables in these two datasets, the Gini coefficient is calculated based on sampling, and then a correlation is used for further exploration.

In terms of results of correlation (Tables 10.4, 10. 5, 10.6, 10.7 and 10.8), a general pattern based on broader distinction among these five levels of economic class can be found. That is, when I represent the general pattern, people, according to their preferences for redistribution, are separated into three categories: top-, middle- (previously middle-top, middle, and middle-bottom), and bottom-level economic classes. First, at the bottom-level stratum, there is a strikingly significant positive relationship between the change in the Gini coefficient and the change in the demand for wealth redistribution among people at this level. This finding suggests that those at the bottom-level are extremely sensitive to the intensified income inequality in urban China, and due to the lack of wealth, they have a very strong request for governmental redistribution, whereby the wealth can be automatically transferred from the rich to the poor. Moreover, finding that the higher the Gini coefficient in a province the smaller the change in demand for redistribution among those living there implicitly echoes the Reflection Thesis, which emphasizes the importance of situational factors on the demand for redistribution, as mentioned in the literature section. Thus, when it comes to distributive justice, "what people say ought to be is determined in the long run and with some lag by what they find in fact to be the case" (Homans, 1974, p.250). Though indirectly, here the Gini coefficient is a proxy for the reflection of people's beliefs about the real world (i.e., income inequality) (Hadler, 2005). This outcome has offered empirical evidence supporting Beck's prediction (1986) that in developed countries, with a great level of prosperity, differences on the vertical axis are not as important as before, and he has contextualized the argument made in Western societies into a Chinese standpoint.

Compared with their top counterparts, people from the middle level tend to be more moderate towards the government's wealth rearrangement policies, since the change in their preferences for redistribution caused by the change in the Gini coefficient is smaller than that

for the bottom level. Having legitimized the reality of income inequality, they lack the motivation to urge the Chinese government to transfer the wealth from the rich to the poor through taxation policy.

Due to a negative association between the adjustment of the Gini coefficient by the province and the change of preferences for redistribution among those at the top-level living in a province, I can say that with the growth of income disparity, the need of people at this level for governmental redistributive policies becomes less. This attitude is in sharp contrast to that of their bottom-level counterparts. No doubt, this point has proven that those at the top-level, as advantaged group members focus on their own interests rather than the conditions faced by other social groups; meanwhile, being against governmental redistributive policies can be regarded as exclusive practices carried out by this advantaged group.

## CHAPTER ELEVEN: CONCLUSION

An examination of perceptions of earnings inequality among the Chinese population has been shown in this research. The investigation explores perceived income inequality - including potential and direct factors - under a comprehensive approach. It is not hard to have an impression that that perceived income inequality is complex and determined by a diversity of factors, including structural, psychological and cultural approaches.

This research illustrates the potential roles affecting perceived income inequality embedded in the histories of China's great social transformations. Some basic discoveries of this study will be provided and related to policy suggestions in the conclusion of this chapter.

### 11.1 Major Findings

In Chapter 3, I examine related literature of perceptions of income inequality and tried to distinguish several standpoints of reported findings. Although bountiful analysis exists in perception of income inequality in some countries such as the United States or Western European countries, limited studies are available in regard to Mainland China. In this limited investigation of perceived earnings disparities among the Mainland Chinese population, a debate has emerged among several researchers (Martin, 2010, p.4). A focus on media and civil discussion holds that the Chinese population is very angry with the persistent income inequality, while some scholars pose that they can tolerate the existing income inequality although it is beyond the basic line for those in other countries, such as Sweden, by analyzing representative national survey data (Martin, 2010, p.4). Which side is more correct? This is an important direction for this study to resolve.

In this research, I proposed an assumption that, through social cognition and internalization of the real world, individuals with different socioeconomic status (SES) who are fixed in their social structural context and partly determined by cultural and ideological factors perceive income disparity differently. This is a comprehensive and systematic frame, which tries to give an effective structure to perform an examination of perceived earnings disparity among the Chinese population.

Under this frame, there are two limitations in the presented literature regarding perceived

earnings disparity among the Chinese. One is the theoretical limitation, which is lack of a social group perspective; the other is the validity of direct questions for the respondents during the process of collecting survey data. Thus, this research presents two main strategies related to these dual limitations. First, I apply the concept of SES to overcome the tendency to analyze the huge Chinese population as single entity. Secondly, I take an innovative measurement of perceived earnings disparity adoption by several objects and subject items in order to remedy the deficient validity of direct questions to the respondents.

In Chapter 6, I investigated the direct degree to which people with diverse SES differ in perceived earnings disparity. The result proves the divergence hypothesis that, with the extent of earnings disparity rising, the difference for perceived disparity between the elite and bottom classes tends to be bigger.

In Chapter 7, the individual's legitimation of reward justice is presented under the frame of a structural approach. This chapter sought to find whether employees in the state sector have a higher perception of reward justice than those in the market sector. This analysis also prepared the way to explore a dispute related to market transition theory as projected by Nee (1989). The outcomes illustrate that employees in the market segment have a higher perceived level of reward justice than those in the state segment though employees in the market segment get greater educational rewards in the process of market transition, which supports Wu's (2002) analysis of actual rewards in reality. The reason for this puzzle could be illuminated by two possible issues: the first factor associates with the employees' gap in the state sector between expected and actual educational returns, which is higher than for those in in the market segment. The second factor is that employees in the state segment enjoy better welfare than those in the market sector.

Chapter 8 partly supports the psychological assumption found in the existing literature that the Chinese consider earnings disparity to be a normal outcome of economic development, given that China has undergone quick increases in both economic development and earnings disparity (Xie & Wang, 2009). This chapter analyzes policy discussions, distributive policy and academic debates to illustrate that the discourse of income inequality clearly supports and invites the normative belief of agreement with the unavoidable result of income inequality, also found in my interview data.

Chapter 9 proves the hypothesis that many Chinese people can accept persistent income inequality based on the government's positive economic performance (Xie, 2010), particularly when they see some benefit to themselves?

Finally, based on the distinction of five levels of economic class, this research has examined trends in people's preferences regarding redistribution, in the form of taxation policies that aim to tax the rich more to help the poor, once they perceive income inequality. My examination emphasized spatial variations in views regarding taxation policies and earnings disparity. There are several intriguing findings; first, consistent with the current literature, individual-level factors play a key role in influencing Chinese demands for redistribution. As far as the level of marketization, one of the situational-level factors demonstrates that the higher marketization is the greater probability of a preference for redistribution. Specifically, those at the bottom-level are sensitive to the intensified earnings disparities, and have very strong incentives for demanding governmental wealth redistribution. The middle level populations tend to be more temperate in support of government redistribution policies, and they lack the motivation to urge the government to transfer the wealth from the rich to the poor through taxation policy. Their top-level counterparts express indifferent attitudes upon this issue.

Then, it is necessary for us to face the dispute about whether the Chinese are irritated with the increasing earnings inequality proposed by Martin (2009). The result of this research shows that those in the elite class are more inclined to tolerate income inequality, while people in the bottom classes are angry with the current income inequities. The bottom class has the strongest imperative to wish for change in the unreasonable allocation system. Therefore, I partly disagree with Martin's point (2010, p.197) because my research shows a pattern of divergence instead of convergence in perceived income inequality status between the higher Gini coefficient groups based on both education and income level. It is too ambitious to judge the total Chinese perception of income inequality as if the population is only a single uniform entity.

## 11.2 Policy Significance and Implication

As I discussed in the introduction, although there have been huge and persistent earnings disparities, the Chinese have differing perceptions of - and opinions on - these income disparities; some display an upset attitude while others consider the status quo to be just at least over the long term. Having seen the sharp variances of different levels of socioeconomic status (SES) upon perceived income inequality and government's redistributive policies, we come to be faced with a question: is Chinese society becoming polarized?

In summation, comparisons and differences among these broad distinctions of economic levels demonstrate the logic of self-interest and, in particular, the close relationships among social categories, boundaries and self-interest. As Lamont and Molnar (2002) demonstrate, those with the same approach to receiving resources will do the cooperative work to keep up, or will increase the rewards they own by an uneven start in terms of chance and distribution. Just as Robinson and Bell (1978) pointed out, people try to keep their grain with the increasing joy of the reward. Especially for those in privileged groups, in order to preserve their self-interest on the foundation of social stratification, they endeavor to set up distinctive and steady restrictions for those in other groups. (Tilly, 2003; Zhou et al., 2010).

It has to be admitted that I am not secure enough to offer a comprehensive argument based on these results. Deng Xiaoping's plans for China's economic reforms considered increasing the national economic base with a goal of achieving social justice afterward to address the rising economic inequalities, which were an ingredient of an intentional plan at the beginning phase of the open reform policy (Xie & Hannum, 1996; Zhou et al., 2010). Thus, similar to the point made by DiMaggio et al. (1996) that "distributional properties of public opinion may have important consequences for political conflict and change" (p.692), the appearance of distributional coalitions could be viewed as a latent hazard for Chinese society (Zhou et al., 2010).

My research results demonstrate in part that the people in the bottom levels are eager to be populist, while those in the top levels of the economic strata have changed to resemble an oligarchy (Kahn, 2006). As a result, the formation and consolidation of such distributional coalitions will likely lead to an oligarchy (*Shang ceng gua tou hua*), which is a form of power



structure whereby power is in the hands of the advantaged group members and a small segment of society is distinguished by several factors. Correspondingly, populism may be more likely to emerge among the lower strata. “Populism is a political style rather than a specific program, a discourse that appeals to ‘the people’ and ‘the nation’ by means of mass media” (Jurgen, 2010, p.40). The divergence of preferences for redistribution between people from the top and the popular foundation can be considered as a potential polarization in Chinese society, in particular, with respect to the redistribution of wealth. To some extent, the logic of redistribution is progressively conflicting with the aim of social fairness and will eventually overturn the purpose of China’s economic and social strategy (Zhou et al., 2010).

The labor classes in China do not demonstrate submissive attitudes when they suffer worsening conditions in the course of social transformation (Robert, 2006). Dissent and uproar accompany persistent income inequality, which leads to instability and risk to the society. The workers, peasants, and migrants in China today are sensitive to the widening wealth disparity while the elite are indifferent to the phenomenon. The peasants, migrants, and the urban working class with their deep sensitivities towards income inequality are most likely to adopt populist directions (Y. Liu, 2009).

Although many social groups take advantage of fast economic development, the persistent income inequality poses a great threat to the people in the current middle-class. While income inequality lessens the earnings for the middle class; those in the low SES classes, such as peasants and workers, hold a hostile attitude toward the middle class, although the middle class earns their money by legal approaches. Therefore, it is easy to produce an invisible ideological gap between the middle and bottom classes with the increase in income inequality in contemporary China. Consequently, the ideological gap between the middle and bottom classes can cultivate a populist ideology, especially in a period of economic transition.

A debate centers on whether China continues to employ an “open and reform policy” under the political leadership of the Chinese Communist Party (CCP) following the “Tiananmen square protests” of 1989 (Kalpana, 2003). After Deng Xiaoping gave a speech in the southern tour of 1992, the government reinitiated the “open and reform policy” again and tried to establish a market system to manage economic development. During the decade from 1992 to 2002, China experienced a rapidly increasing speed of economic development (Y. Liu, 2009).

Many benefited from this increase, while others were lost in this state-forward process. This phenomenon refers to the worsening wealth allocation system. Let us review the main social groups' situation in contemporary China.

First, the peasant's tax burden was heavy from 1992 to 2002 (Kevin, 2009). The over-burden led to the peasants to lose much trust in the local governments and entrenched strain between local administration officials and the peasants (Y. Liu, 2009). Other serious societal events, such as ignoring the peasants' land claims made them angry with social policies, especially those from the local governments, which disregarded the peasants' interests. Under these social conditions, there were thousands of "mass incidents" (*quan ti xing shi jian*) where the peasants resisted unreasonable social policies from the local governments in rural areas (Kevin, 2009).

Second, the expanding middle class has become the supporters of the regulations passed by the CCP, rather than being advocates of the reform policy (Tomba, 2009). China's capitalists benefited from the existing economic system; they wanted to maintain that system because they received a great deal of wealth (Lu, 2011). The middle class may not be the force of political reform, but may become the backbone of social support of the CCP (Cai, 2005). Lu points out that most of the middle class are in favor of the rights of individuals, but they avoided the question of political rights; in addition, they are not interested in political participation and democratic mechanisms (2011).

Third, in urban China during the period from 1992 to 2002, many industrial workers were laid off (*xia gang*) from state-run firms (Robert, 2006). At that time, Premier Zhu Rongji set up a schedule that cut off a number of employees in order to improve these firms' efficiency, and to modernize the system (Kevin, 2009). Therefore, many employees who were out-of-work and in trouble for their livelihood. As a consequence, there were also many social protests in China for these out of job employees, especially in Northeast China, where there are many old industrial firms (Y. Liu, 2009). Some employees participated in the protests for help about losing their works; some extreme approaches were adopted by them, such as stopping the trains and surrounding the local government offices, which disturbed the normal social order.

Fourth, interest groups were formed and benefitted from the reform. This led to many relatives of the officials having “going into business” (*xia hai*) plans to open various enterprises in the market by a series of illegal methods, in order to accumulate huge wealth. There is much corruption in the process of establishing a market system and the government held a high tolerance of the prevalent dishonesty (He, 2007; Zhu, 2011). The public was dissatisfied, and even hostile to these ugly social events; so many of the wealthy who were employing illegal methods even showed off their wealth (Zang, 2008). The social dissatisfaction was very serious among the common person, which is a latent risk as an incentive to cause or respond to social chaos (Martin, 2009).

Against this background, after Hu Jintao became the highest political leader in 2002, he initiated a new political design named the “harmonious society” (*he xie she hui*) to solve a series of social problems accumulated in the era of Jiang Zemin (Zang, 2008). The persistence of income inequality is one of the significant issues to which Hu Jintao and his colleagues should pay much attention (Y. Liu, 2009).

Hu Jintao and his colleagues abolished the paradigm that concentrated only on economic development, and devised a model that can keep balance between both economic development and social justice. Under the direction of the “harmonious society” (*he xie she hui*) idea, the central government deserted agricultural taxation in order to lessen the burden on the peasants, and in order to reduce the income gap between peasants and other social groups (Y. Liu, 2009). This action was welcomed by millions of peasants because they thought this was the first benefit in recent history. However, this program is criticized by some scholars. The first criticism was that deserting the agricultural tax cannot resolve the peasants’ unreasonable economic burden because the local governments will develop other programs to tax the peasants (Qin, 2003; 2009). The second criticism is that the governments can once again tax the peasants later and therefore, the peasant can become a modern citizen rather than a consumer of the state (Yang, 2005).

These points illustrate that the Chinese government’s solution regarding underprivileged assemblies and earnings disparity is adopting a more populist style. Y. Liu (2009) points out that the government should let the people have rights rather than implementing some temporary reform policies to deal with the deteriorated situation. A popular saying in China is

that, “An ounce of action is worth a ton of theory” (*xing sheng yu yan*), which means action is an important way to improve ourselves. Thus, an institutional approach such as efficient taxation adjusting income inequality should be adopted to resolve the long-term earnings inequality and to reduce the ideological gap between different social classes (Y. Liu, 2009).

### 11.3 Research Restrictions and the Orientations for Later Research

Undoubtedly, there were many restrictions impacting the scope of this research. First, the data was collected in 2005; it is not the latest data able to demonstrate the most up-to-date situation among the Chinese people. It is necessary to employ some newer data which was released in recent years to track the current situation and figure out evolving changes in perceived income inequality among the Chinese population. Also, other countries’ survey datasets relating to similar issues can be added to this research in order to do some comparative studies in the future.

The second restriction is that the perceived earnings inequality quotient based on the ratio between the Gini coefficient of a series of occupations’ just and actual earnings needs to be improved. More occupations should be incorporated in the survey so that it can maintain validity for the comprehensive measurement of perceived income inequality.

Third, more mediating variables should be investigated, especially reflecting psychological-cognitive and cultural factors. This study has so-far focused on idealistic beliefs in market development and the belief in governmental performance legitimacy. However, some other latent beliefs which may play an essential role in affecting perceived income inequality among differently positioned members of the population should be examined.

This research develops a comparative comprehensive and systematic theoretical frame to trace perceived income inequality given a background of a great social transformation. Some goals of this research are to develop a new measurement of perceived income inequality, and to avoid the limited validity of measuring the perception of income inequality by a direct question in a survey questionnaire. Adopting a new theoretical frame and measurement, this research currently focuses on perceived income inequality in contemporary China. Clearly,

this issue is limited in this field, and some other topics can be traced in later investigations. To some extent, this research is just at the preliminary stage in this area.

The present data here is only collected in Mainland China, but something can be learned from comparative studies in Europe, Latin America and other Asian countries. In addition, this research only concentrates principally on some influences of cultural and psychological characteristics, and it is necessary to scrutinize some the influences of social factors, including more family and community distinctions.

Future studies could include a new and suitable theoretical frame of perceived earnings disparity among the Chinese population can be further developed using updated data and documents. Research on perceived income inequality is just one case study for the area; it is necessary to generalize the theoretical discussion so that it can inform similar studies in other countries and social contexts. Is there a common mechanism between perception of income inequality and the reality of income inequality? Can it be deduced according to various comparative studies? Based on the work I have completed here, I strongly advise that future researchers continue to explore the underlying mechanisms between perceived income disparity and the reality of income inequality by using empirical tests and larger ethnographic studies. Some new propositions can be created from the existing literature and new social phenomena. Some updated data can be collected to assess these new propositions.

In this research, I explore the situation of the perceived earnings disparity across the Chinese population, and try to resolve several disputes among scholars. Therefore, this research is an exploratory study to initiate research in this area. It is hoped that many more researchers can overcome the limitations of this inquiry and add a great contribution to this field.

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## APPENDIX A: Interview Guide

Outline of interview questions are according to the three approaches discussed in the literature:

### Social-structural approach

- a. Could you describe contemporary China's earnings disparity? Do you think other people in a similar situation as you have the same perception of income disparity as you?
- b. Do you think your view represents most Chinese views of perceive income disparity?
- c. Do you think you are winner or loser in this economic reform process? (If the respondent considers they are loser) Do you think earnings disparity is the consequence of the new economic development?
- d. Does China benefit from the trend of earnings disparity? Why?
- e. Compared to your parents, do you think you are better or worse off than their situation? Do you think contemporary China is a society which can provide equal chances to most people? Or do you think everyone has a chance to become wealthy?
- f. Do you wonder why some people are wealthy? Is it hard work, family setting or just luck? Do you wonder why some populaces are disadvantaged? Are they lazy or are there some other reasons?

### Psychological-cognitive approach

- a. Compared with your friends, do you think you are better off or in inferior conditions than they are? Do you think this condition is just for you?
- b. Do you have some special events in your life experience that influence your views about income disparity? Could you list some instances?
- c. Do you read newspapers, surf the internet, watch TV? Do you think that the reports from these forms of media coverage about earnings disparity are consistent with the real situation? Do you believe or not believe them? Why?
- d. Although some huge earnings disparity occurs in China, do you think it is fair? Why?
- f. Can you describe your community's wealth allocation? Can you describe your ideal regarding income disparity? Can you tell me your standard?
- e. Could you put in writing some words that stir awareness when you consider the phenomenon of income disparity?
- f. Please write a short description of a happening in your community in which your feelings

about income disparity were stimulated. Show what occurred, and your feelings about it.

g. If you know income disparity exists, which are your senses of its effects: more pain, sadness, more immorality, and/or more damaging to society? Do you feel thwarted or sense unfairness? Which would this make you feel: more rejected? Angrier, more alienated, guiltier?

h. Can you describe your understanding of just income disparity? If we suggest three types of justice, do you prefer starting justice, procedural justice, or results justice? Why?

#### Cultural-ideological approach

a. Do you believe that Confucius egalitarianism influences people's behavior?

b. Do you agree with the saying that people do not care about common poverty, but are concerned about the earning disparity?

c. Do you know some folk cultures? Do they influence your values? In terms of income disparity, does the saying: "people do not laugh at prostitutes but laugh at the poor" (*xiao pin bu xiao chang*) is suitable for contemporary China's situation? Why?

d. Do you think that socialist ideology which eliminates the income gap among people influences the Chinese Government's social policy? Do you agree with the saying that "efficiency as priority and equity as supplement" (*xiao lv you xian, zhu zhong gong ping*)? Do you agree with the saying that "paying more attention to equity" (*geng jia zhu zhong gong ping*) is the frame of "a harmonious society" (*he xie she hui*)? Why?

e. Do you think that greater disparity is an expense that should be carried by the society with the expansion of wealth?

## APPEDIX B: List of Independent Variables

Independent variables	Item or question	Recode result
<i>Socioeconomic Status (SES)</i>		
Income		Logarithm the income of 2005
Education		Recoded as continues variable
Occupation		Administrator/leader, white-collar worker, blue-collar worker, peasant, and others
<i>Control variables</i>		
Age		
Gender		Male=1; female=0
Marital status	Marital status is divided into four categories: never married, married, divorced, and widowed	A dichotomous control variable (married=1 or not=0).
<i>Income Situation</i>		
current comparison income	“Compared with your peers’ socioeconomic status, which level do you categorize yourself now?”	There are three levels, which can be respectively recoded as higher=1, the same=2, and lower=3.
	“Compared with your own socioeconomic status three years ago, which level do you categorize yourself now?”	Higher=1, the same=2, and lower=3.
Future income expectations	“Compared with your current personal socioeconomic status, which level do you expect yourself to be after three years?”	Higher=1, the same=2, and lower=3.
Social Mobility		the difference between the respondents’ year of schooling and that of their fathers
Future social mobility expectations	“From your perspective, will you be promoted in the work unit ( <i>danwei</i> ) in the following years?”	Sure =1, quite possible =2, probably not =3, and hardly not = 4.
	“From your perspective, will you be promoted if you change to another work unit ( <i>danwei</i> )?”	Sure =1, quite possible =2, probably not =3, and hardly not = 4.
<i>Fairness Beliefs</i>		
	“Do you agree with the saying that all the children have the same opportunity of schooling as long as they work hard and smart enough?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“Do you agree with the statement that in our society, the descendants of either workers or peasants have the same opportunities as those of the others to be good-socioeconomic-status people?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“Do you agree with the statement that in our society, the descendants of either workers or peasants have the same opportunities as those of the others to be good-socioeconomic-status people?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“Do you agree with the saying that the most important reason for being poor is the lack of education?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“Do you agree with the saying that the most important reason for being poor is poor people’s reluctance to work?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“Do you agree with the saying that the most important reason for being poor is the government’s inappropriate policy?”	Strongly agreed or agreed = 1 and strongly disagreed or disagreed =0.
	“From your perspective, to what extent is the importance of these following items — family wealth, high level of parents’ education, own well-educated experience, age, talent and appearance, gender, developed place of birth, individual intelligence, ambitious and aggressive personality, diligence, rich social network resources, acquaintance of people with power, political performance, and destiny— on people’s success?”	Decisively important, very important, and comparatively important = 1 and unimportant (less important and unimportant) = 0.
<i>Type of Sector</i>		(State sectors) contains Party and governmental organizations, state-owned enterprises, and public institutions, while the second (market sectors) contains self-employment, private-/share-running enterprises and joint ventures.
<i>Material-Level Independent Variables</i>		
Working experience		The gap among the survey year (2004) and the oldness at which one began working.
Political capital		Chinese Communist Party membership (yes=1, no=0).
<i>Psychological-Level Independent Variables</i>		
Self-Evaluation	“The phenomenon that some people have earned much money while the others have not is fair.”	Strongly agree or agree = 1 and strongly disagree or disagree =0.
	“Do you agree with the saying that all the children have the same opportunity of schooling as long as they work hard and smart enough?”	Strongly agree or agree = 1 and strongly disagree or disagree =0.
	“Do you agree with the saying that in our society, the descents of either workers or peasants have the same opportunities as those of the others to be high-socioeconomic-status people?”	Strongly agree or agree = 1 and strongly disagree or disagree =0.